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IN THE SOCIALIST WORLD SYSTEM

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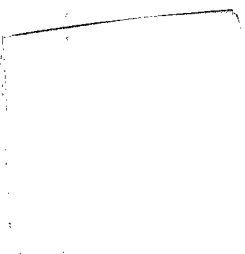
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FOREWORD

This publication was prepared under contract by the UNITED STATES JOINT PUBLICATIONS RESEARCH SERVICE, a federal government organization established to service the translation and research needs of the various government departments.

JPRS: 3246

CSO: 3808-D

THE DEVELOPMENT OF THE INTERNATIONAL DIVISION OF LABOR
IN THE SOCIALIST WORLD SYSTEM

[Following is a translation of the monograph Rezvoj mezinarodni delby prace v socialisticke svetove soustave (The Development of the International Division of Labor in the Socialist World System), Prague, 1959, pages 5-96.]

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INTRODUCTION

The process of creating the socialist world system of countries was completed in about 1949. The Council of Economic Mutual Aid was founded in the same year. Since that time we can divide the further development of economic relations and international division of labor among the countries of the socialist world system into two developmental phases. The first phase is characterized by the fact that the division of labor was carried out through foreign trade, particularly on the basis of bilateral long-term commercial treaties. Only later, in the second developmental phase, beginning in about 1955, was there a shift toward the effort to plan the division of labor directly in production on the basis of multilateral agreements on the coordination of economic plans among the countries of the socialist camp, on the division of production programs, and on the specialization of production and cooperation. This is the only way to achieve highly effective large-scale serial and mass production, to reduce production costs, to catch up to and overtake the leading capitalist countries in industrial and agricultural production, and to achieve the final victory of socialism over capitalism.

The task is not a small one. Practical workers and scientists from all the socialist countries of Europe and Asia are collaborating in its achievement.

The theoretical aspect of this historic task has in Czechoslovakia been primarily the concern of the Economic Institute of the CSAV [Ceskoslovenska Akademie Ved -- Czechoslovak Academy of Sciences]. In 1957 an international conference was held in Liblice on the subject "Economic Relations among the Countries of the Socialist World Camp". (Material from this conference was published in 1958 by the publishing house of the CSAV in a symposium of the same name. The main speech, by Doc. Vladimir Kaigl, was also published in the symposium entitled "On the Economic Problems of Contemporary International Relations", SNPL, 1958)

On 15 and 16 December 1958 another conference was held in Prague attended by the leading economists of the socialist countries of Europe and Asia. It dealt directly with the collaboration of economic institutes of the academies of sciences of these countries.

The material from that conference is being presented here in full.

The main report and the conclusion were given by Doc. Vladimir Kaigl, director of the Economic Institute of the CSAV.

Other reports were given, in the order of their presentation, by: Bui Kong Tryng of the Office of the Presidium of the Government of the Vietnam Democratic Republic, Prof. Gunther Kohlemy of the Economic Institute of the German Academy of Sciences, Prof. Todor Vladigerov of the Economic Institute of the Bulgarian Academy of Sciences, Prof. Gyorgy Goncol of the Economic Institute of the Hungarian Academy of Sciences, Prof. Zygmund Wyrozewski of the Economic Institute of the

Polish Academy of Sciences, Jung Lung-kve of the Economic Institute of the Chinese Academy of Sciences, Doc. Hekuran Mera of the Party College of the Albanian Labor Party, and Alexej Stupov, Candidate of Economic Sciences, of the Economic Institute of the Academy of Sciences USSR.

The conference demonstrated agreement on the basic questions of the development of collaboration among the countries of the socialist world system. The views and "theories" of the Yugoslav revisionists were unanimously rejected. It was also seen which problems are still unsolved or will remain controversial. The conference also yielded a number of suggestions and provided an impetus for the further development of the problem of the socialist division of labor and of all economic relations among the countries of the socialist camp.

CZECHOSLOVAKIA

Vladimir Kaigl

Our nations face a grandiose task. Within seven years the countries of the socialist camp are to achieve more than half of all world industrial production. In this short time we shall achieve the absolute preponderance of the socialist world system over the capitalist system in material production, i.e., in the decisive sphere of human activity, as stated by Comrade N. S. Khrushchev at the XXist Congress of the CPSU.

The historic competition of the two world systems has entered a decisive phase.

At a time when the socialist world system has not only been set up and consolidated, but has actually entered into a decisive phase of competition with the capitalist system, precisely in this period the revisionists have attempted to place obstacles in the way of this irrepressible development and to confuse public opinion concerning it. At the VIIth Congress of the Union of Communists of Yugoslavia Tito complained that, as he put it, the formation of two "blocs" caused a split in the unified world economy. The revisionists conclude from this basic statement that if the "blocs" were eliminated there would be an economic integration of the world which would favor all nations.

I do not consider it necessary to deal again with the revisionists idea of the two "blocs" and identification of one of these blocs with the socialist camp. These ideas have been conclusively rejected and their basis has been unmasked in a number of official documents of all the Communist and revolutionary workers' parties of the world. However I should like to dwell briefly on the problem of the split in the unified world economy.

If we analyze the revisionist concept of this question, it goes something like this: There was a single world system (whose economic and social nature no attempt is made to determine, naturally). The result of the formation of two military-political blocs was that this unity split into two parts. As a result a world economy ceased to exist and therefore economic integration of the world is impossible as is any fruitful economic collaboration.

If we make a Marxist analysis of this revisionist concept we reach the following conclusions:

It is true that there used to be a unified world economy; this lasted not until the formation of the so-called blocs but until the appearance of the first socialist country in the world -- the Soviet Union. This world economy was truly unified both socially and economically; it was cemented by capitalist production relations -- in their imperialist form. The entire world economy appeared as the capitalist world system. This basic fact is intentionally overlooked by the revisionists; they speak in terms of some abstract unified world economy. They occupy a

nonclass position which for them is necessary so that they may draw further conclusions. For this reason also they postpone the breakdown of this unified world economy by about 30 years.

After the second world war the socialist system went beyond the limits of a single country and became a world system. The world economy did indeed continue to split considerably, but not for military-political reasons, as the revisionists state, but rather in their social and economic character. Each of the two parts of the world economy is governed by a different system of production relations. Therefore it is perfect nonsense to state that the abolition of military-political grouping (which the countries of the socialist camp are striving for directly) would lead to a restoration of some sort of abstract unity of world economy -- whose social and economic character is not defined further. The concept of the revisionists is thus not only nonclass but is purely subjectivistic. It completely overlooks the basic characteristics of the modern world economy, i.e., the simultaneous existence of two world systems of production relations. The abolition of any sort of military-political groupings would change absolutely nothing in this basic fact.

The revisionists finally conclude from the split in the world economy into two world economic systems that no world system exists basically, that it does not make up a whole, and thus it must be restored as a whole. According to them, the world economy is split into two pieces which do not make up a whole. Such a concept is mechanistic and metaphysical. If they speak of the restoration of a whole which does not exist today, it follows logically that they can be speaking only of the restoration of the whole which existed previously, i.e., of the restoration of the hegemony of the capitalist world system throughout the world economy. And this view, taken to its logical conclusion, is counter-revolutionary.

We can thus summarize: the revisionists' views of the question of the world economy are nonclass, subjectivistic, mechanistic, metaphysical, and their objectives, albeit unexpressed, conclusions are counterrevolutionary.

In actuality everyone knows that economic relations exist between the countries of both world systems which are the expression of a certain international division of labor among them. Thus there is a certain international division of labor on a world scale, even if it does not have a unified economic character, but is the consequence of the encounter of economic laws of two contradictory systems of production relations.

It is true that the greater part of world trade is carried out within the two world systems and that mutual trade between the systems is today only a very small fraction of the total volume of world trade. This has been caused by a struggle between the two systems, principally by extra-economic influences, particularly political ones, the policy of the "cold war" conducted by the imperialists against the countries of the socialist camp. But despite all the power-political pressure this mutual economic contact between the countries of the two systems exists

and is expanding. It is expanding thanks to the efforts of the countries of the socialist camp, which are a practical application of the principle of peaceful coexistence, and also as an expression of the objective existence of the totality of the world economy which cannot, for extra-economic reasons, be broken up into pieces. Therefore the number of capitalists is increasing who, despite their class and political convictions, are for objective reasons forced to develop commercial relations with the countries of the socialist camp.

The problem of the world economy must be considered historically and dialectically. From this standpoint the current situation is a single moment in the objective developmental process of the transition of society from capitalist to communist social and economic forms. Throughout this process there is a world economy which represents a certain whole. This whole makes up the dialectic unity of opposites -- the socialist world and the capitalist world system.

Both of these opposite sides are interconnected, influence each other, and struggle with each other. There is no Chinese wall between the two world systems. Even if each of them develops according to its own economic laws, their very coexistence, mutual competition, and mutual struggle are an expression of the effect of the general laws of the development of society. Both world systems develop in dependence upon one another, a development which is influenced primarily by the weight which each of the world systems exerts on the overall world economy at the given historical moment. An example is the formation of world prices. Today the basis of world prices is the production costs in the capitalist states which are the greatest world exporters of individual commodities. The resulting world prices, stripped of the influences of speculation and violent price fluctuations, is the basis of the prices used even in commerce among the countries of the socialist camp. But as the preponderance of the countries of the socialist camp in the level of labor productivity and their weight in world commerce rises, particularly in trade between the two systems, world prices will increasingly be formed on the basis of the production costs of the countries of the socialist camp, under the influence of prices on the socialist world market.

There is no question that the nature of socialist production relations and their political and other superstructure was one thing during the period of capitalist encirclement, is another at present, and will be quite different again when the socialist world system acquires absolute preponderance in the world economy. Ane a similar influence, even though of course in the opposite direction, is exerted by the development of the socialist world system on the situation in the capitalist world system.

Throughout the entire process of development of the world economy there is a change in the weight and mutual relations of the two opposite sides of that dialectic unity which makes up the world economy. The weight and force of the socialist world system increases while the capitalist world system grows weaker and decomposes. The entire previous

development completely confirms the brilliant forecast of the Marxist-Leninist classics. The final results of the struggle of the two opposite sides will be the disappearance of the capitalist world system and the complete victory of socialism and Communism. The conflict in the present form of the world economy will be solved such that the whole world economy will take on the social and economic forms of the socialist, and later of the Communist, world systems.

I have considered it necessary to dwell first on this general problem because only the proper understanding and rejection of revisionist views of it will yield a proper starting attitude toward the character of economic relations among the countries of the socialist world system, what their content must be during the present stage of development, the forms corresponding to this content, and the methods which must be used in the development of these relations.

What, then, is the nature of economic relations among the countries of the socialist world system? On what foundations do the socialist countries build their mutual relations?

In the well-known mutual announcement the Prime Minister of the Chinese Peoples Republic Comrade Chou En-lai and the Prime Minister of the Republic of India Jawaharlal Nehru formulated five principles of peaceful coexistence, which were supported by all the countries of the socialist camp and the countries of the Bandung Conference. These are the principles of mutual respect and advantage, nonaggression and the respect of state sovereignty, mutual equality, territorial inviolability, and non-intervention. These are principles applicable for both economic and political relations among countries.

It is also well known that the spokesmen of the Union of Communists of Yugoslavia state that these principles fully describe the nature of relations among socialist countries, that relations among socialist countries should be based on these and no other principles. In order to judge whether this statement is correct or not we must examine the basis of these principles and their nature.

In economic relations the most important of these principles is the principle of mutual equality. The basis of this principle and its historic fate were completely explained by Marx. The principle of mutual equality is an expression of the relations of simple production of goods, when simple goods producers actually meet one another as mutually equal owners of the means of production and of produced goods. Under capitalism, however, the principle of mutual equality as a principle of goods production appears only on the surface and actually conceals a profound real inequality. This consists firstly of the inequality between capital and labor, and secondly of the inequality between the owners of the means of production. The principle of mutual equality is abused by the bourgeoisie to conceal the real basis of capitalist production relations, which are the relations of dominance and subordination.

The principle of mutual equality is thus a product of petty-bourgeois production relations; it has a bourgeois-democratic character.

The same bourgeois-democratic character can also be seen of course in the principle of mutual equality in international relations as applied in relations between countries. It follows from this that under the rule of capitalist production relations -- in the capitalist world system -- this principle sometimes exists and is proclaimed, but it has never been carried out. It has been transformed into a purely political demand, expressed according to the concrete situation now by the bourgeoisie of one country, now by the bourgeoisie of another. The bourgeoisie of the stronger countries abuses it in proclaiming the policy of free trade, so that under the guise of mutual equality and equal opportunity it can enforce bourgeois inequality among countries. On the other hand the bourgeoisie of weaker countries protects itself against this concept by a policy of protectionism.

As regards the other principles mentioned above, i.e., the principles of mutual advantage, respect of state sovereignty, territorial inviolability, nonaggression, and noninterference in internal affairs, these principles are always supported only by the bourgeoisie of the weaker countries protecting themselves against attack and oppression by the stronger capitalist countries, particularly the imperialist ones. On the other hand the bourgeoisie of the stronger countries has never recognized these principles and, if sometimes it was forced to acknowledge them formally, never carried them out in fact.

Throughout the period when the world economy was represented only by the capitalist world system these principles were never applied in international relations -- nor could they be.

The question arises why some countries proclaim these principles and are they frequently carried out? This question can be answered easily if we consider those countries in whose mutual relations these principles are actually applied. We can see that this is true only of the socialist countries on the one hand and of the economically undeveloped or underindustrialized capitalist countries on the other hand.

Only the governments of the socialist countries and of the economically underdeveloped countries of Asia and Africa have proclaimed these principles as the basis of their foreign policy.

Let us now examine the attitude of the bourgeoisie of the economically underdeveloped countries toward the application of these principles.

The bourgeoisie of the economically underdeveloped countries greatly and eagerly accepts these principles, offered to them by the socialist countries, as the basis of mutual relations. It accepts them eagerly because it thus becomes for the first time an equal partner and because this strengthens its position with respect to the imperialists, with respect to the monopolies of the imperialist countries. Therefore this bourgeoisie itself forces through these principles in relations

with stronger capitalist countries. It must of course be emphasized here that without the support of the countries of the socialist camp, without the fact that the socialist countries actually apply these principles, these efforts would be in vain.

The situation is different, however, in mutual relations between economically underdeveloped and generally weaker capitalist countries. These countries are not on the same level of economic maturity. Thus we can observe that even though these relations are between economically underdeveloped countries, the stronger bourgeoisie of an underdeveloped country in dealing with the weaker bourgeoisie of another underdeveloped country eagerly rejects these principles and attempts to behave toward these partners just as the bourgeoisie of the imperialist states behave toward them. It is sufficient to mention as an example the behavior of the bourgeoisie of Argentina or Brazil toward the other countries of Latin America.

It follows from this that only thanks to the existence of the socialist world system, thanks to socialism, have bourgeois-democratic principles of international relations, particularly economic relations, begun to be carried out.

This is similar to the fact that in the internal development of countries the socialist revolution is the first to carry out many bourgeois-democratic demands. Examples are agrarian reform, the most radical bourgeois-democratic slogan that the land should belong to those who work on it. In no country is the bourgeoisie capable of carrying out agrarian reform to the satisfaction of this slogan. The weak national bourgeoisie of underdeveloped countries, even if it relies for support on the peasants in the battle against the feudal lords, cannot and does not want to carry out this slogan. This is shown clearly by India, Indonesia, and numerous economically underdeveloped countries. For this slogan is not the demand of the bourgeoisie itself but of the petty bourgeoisie, of the simple producers of goods.

And now let us proceed to the mutual relations among countries of the socialist camp. In these relations those bourgeois-democratic principles are naturally realized since, as Lenin teaches, it is only socialism which provides full democracy.

But for the relations among socialist countries to acquire a truly socialist nature they cannot be limited solely to bourgeois-democratic principles. All of these principles of which we have spoken are properly called the principles of peaceful coexistence. In relations among the countries of the socialist world system we cannot speak only of peaceful coexistence but we must speak of a great deal more, of brotherly mutual collaboration. And therefore the Declaration of the Conference of Representatives of Communist and Workers Parties of the Socialist Countries of November 1957 states with full justification: "The socialist countries are building their mutual relations on the principles of complete equality, respect of territorial integrity, state independence and sovereignty, and nonintervention in internal affairs.

These are important principles but they do not describe the entire foundation of relations among the socialist countries. An inseparable part of their mutual relations is brotherly mutual aid. This mutual aid effectively carries out the principle of socialist internationalism."

And it is precisely the principle of brotherly mutual aid which is the most characteristic expression of socialist production relations. After all, socialist production relations are the relations of comradely collaboration and mutual aid of workers freed of exploitation. Since the appearance of the socialist world system socialist production relations have developed among individual socialist countries and are thus the relations of comradely collaboration and mutual aid of entire nations freed of exploitation.

Therefore such relations cannot develop between socialist countries on the one hand and capitalist underdeveloped countries on the other since the nations of these economically underdeveloped countries are not freed of exploitation and in their relations with the nations of the socialist countries are represented by the national bourgeoisie.

It follows from the foregoing that if the spokesmen of the Union of Communists of Yugoslavia reject the principle of brotherly mutual collaboration as the basis of relations among socialist countries they are thereby abandoning socialist internationalism and at the same time manifesting their revisionism and the petty bourgeois basis of their views.

Economic relations among the countries of the socialist camp -- like all production relations -- have an objective character. But their development and continuing perfection requires conscientious activity of the people of our countries. This activity is more successful the more it relies on Marxism-Leninism. Therefore the enormous significance of Marxist-Leninist theory, and particularly political economy, for the further development of economic relations among the socialist countries, for the further development of the socialist world system, cannot be overestimated.

Through the joint efforts and brotherly collaboration of economists from all countries of the socialist camp the political economics of socialism in broad perspective has begun to develop as a science of the development of the socialist world system, as well as the most important tool of this development -- socialist international division of labor. Our conference is an expression of this brotherly collaboration in the creation of the developed concept of the political economics of socialism, in the development of the political economy of socialism, not only from the standpoint of the individual country but from the standpoint of the entire socialist world system. Even though the foundations have already been laid we all know what a large number of problems have still not been dealt with and satisfactorily solved. And we all know also how incorrect theoretical teachings can lead practice astray and what damage can result. Our responsibility is

increased proportionately. Therefore I should like to give several examples from the recent past to illustrate a problem which requires further treatment. I believe that some incorrect theoretical views, albeit applied only from the standpoint of the development of a single socialist country, have erroneously influenced practice in our individual countries and that this has had harmful results in the development of economic relations among the countries of the socialist camp.

From this standpoint let us consider the theory of socialist industrialization. I shall not speak of the damage which resulted from the mechanical application of one and the same method of industrialization leading toward the creation of complete industrialization in each socialist country regardless of the concrete conditions of the individual countries and regardless of the fact that at the present time no country is forced to build socialism itself, under capitalist encirclement, but builds it as a part of the world socialist system. These problems have already been satisfactorily discussed. I should like to mention, however, the damage resulting from the exaggeration of an intrinsically correct principle.

The theory of socialist industrialization has frequently been distorted and constricted such that socialist industrialization consisted only in the construction and development of industry; and within that not of all branches of industry but only of heavy industry; and furthermore not of all branches of heavy industry but essentially only of machine building. This was actually the incorrect generalization of practice which in certain stages of development was forced upon us by concrete conditions. It was the absolutization of a practice for a period in which the conditions requiring it had been overcome.

The result of the practical application of these theoretical views was for example that in all European peoples democracies agricultural production lagged considerably behind the development of industry, consumer industry lagged behind the development of heavy industry, and within heavy industry mining, raw materials, and power lagged behind the development of machine building. This triple disproportion had a serious negative influence on the development of economic relations among our countries. Therefore it hindered the intensification of the socialist international division of labor and created the most serious bottlenecks, which will not be eliminated until the near future. They can be eliminated only by the joint efforts of all countries in the socialist camp with the help of a substantial intensification of the socialist international division of labor.

I should like to mention another result of this distortion of the theory of socialist industrialization. The correct slogan of machine-building as the backbone of heavy industry was frequently exaggerated such that machine building became a fetish. One of the results of this was that in almost all of our countries the enormous

importance of the chemical industry was ignored for a long time. The diminished attention given to the development of agricultural production meant that the development of production of synthetic fertilizers was neglected. Even though this production has increased rapidly in all our countries, the pace of increase has still been very unsatisfactory. And the lessened attention given the development of consumer industry has meant, among other things, a neglect of the development of plastics and synthetic fibers. Because a substantial development of the chemical industry in our countries can be achieved only by the division of production programs in terms of the natural and economic conditions of each country, this has again slowed down the process of intensifying the socialist international division of labor, to the detriment of each individual socialist country and of the socialist world system as a whole in its competition with the capitalist system.

These experiences of our countries, together with the theoretical conclusions of our Chinese comrades, have shown that socialist industrialization generally means the simultaneous development of industry and agriculture, with industry always in the lead; within industry the simultaneous development of heavy and consumer industry, with heavy industry in the lead; and within heavy industry the simultaneous development of mining and processing, with fuels, raw materials, and power in the lead. The application of what I consider the correctly formulated theory of socialist industrialization on the scale of the entire socialist camp will lead to a substantial improvement in socialist economic relations among our countries.

Another example. For a certain length of time the subjectivist opinion prevailed on our countries that our preponderance over the capitalist countries in production relations automatically means our preponderance over them with respect to the level of productive forces, in technology. This led, for instance, to the theory supporting the existence of a moral attrition of the basic funds under socialism. Once again I do not wish to say that in a certain period, particularly immediately after the second world war, there were not certain objective concrete historical conditions which forced the utilization of all means of production until their complete physical destruction. But the generalization of this fact in theory and the reapplication of this theory in practice in later times led to results which we all well know. It led to the neglect of modernization of existing factories, to the construction of new factories based on antiquated technology, to the search for more quantitative increase in production, and to neglect of technical progress. In addition to lagging behind the technical development of the mature capitalist countries all of this caused a certain competition in the construction of industry in our countries, the scattering of forces and resources ineffectually without increasing labor productivity, and impeded the production specialization and the division of production programs among our countries.

Hand in hand with this went neglect of the development of technology in the capitalist countries which, among other things, caused a serious underevaluation of the revolutionary role played by the chemical industry at the present time. This led to satisfaction with antiquated techniques. The development of the machine-building and electrical-engineering industries in our countries today lies exclusively in metals; and we all know what difficulties this causes with the present general shortage of ferrous and nonferrous metals in our camp. The development of consumer industry today consists basically in such traditional raw materials as cotton, wool, leather, and, of the plastics, only technically perfected artificial staple fiber based on cellulose. The development of construction is also based only on traditional building materials. All of this has led to neglect of the timely development of production of plastics and synthetic fibers.

We can see that only the destruction of these false theories has created the necessary atmosphere for the present rapid planned development of chemical production and for the vigorous development of technology which our countries have undertaken, again with brotherly mutual aid without which this rapid development would be unattainable, by means of a substantial development of economic relations among the countries of the socialist camp.

In these few examples I have attempted to show how theories concerning apparently only the internal economics of individual socialist countries have strongly influenced their mutual economic relations. And because these theories were incorrect they hampered the development of socialist international division of labor -- the most important tool in the development of socialist production relations among countries -- and thus hindered the development of the entire socialist world system.

In this connection I consider it necessary to mention one more incorrect theory which is a direct result of the limited grasp of the political economics of socialism as a science dealing with the economic development only of the individual country and not the development of the entire socialist world system in its mutual dialectic relations to the development of individual countries making up the system.

I am thinking of the incorrect theory of foreign trade which was very widespread until recently. According to this theory foreign trade is only a sort of necessary evil, a mere supplement to the national economy, whose purpose it is to provide through raw materials those products which cannot be produced at home and to provide through exports the foreign exchange necessary to pay for imports. Thus according to this theory foreign trade and thus all international division of labor is only a tool promoting the sale of surpluses and the acquisition of goods in short supply, thus leveling out only the internal balance of values and useful values.

This merely represents a passive understanding of the role of foreign trade and the international division of labor. This view is static, based on the assumption of the retention of the existing

structure of production in the given country, or at most its mechanical extension in all directions regardless of the needs of technical development and increased productivity of social labor. Applied in practice this theory has meant that parallel production has developed in several socialist countries, that the variety of products in individual countries has been expanded excessively while the volume of production has remained low, and that production has thus been unprofitable and the effectiveness of the entire economy has been low.

Only now has this incorrect theory met the competition of the proper Marxist theory expressing an active understanding of the role of foreign trade and the international division of labor. According to this theory international trade is not some appendage to the internal production process but is an inseparable part, an element, of production, an expression and continuation of the connection between the production of one country and the expanded production throughout the entire socialist world system. It is a continuation of the necessary economic relations between the socialist system and the capitalist countries, resulting from coexistence and competition between the two world economic systems. From this theory follows the necessity of continually expanding the socialist international division of labor in the production sphere in order to achieve maximum effectiveness of the national economy of a given country, which is externally manifested as a constant increase in exports and imports.

We can see therefore that only this theory expresses the requirement for the continuing development and perfection of economic relations among socialist countries, which is an objective expression of the development of the socialist world system.

The rapid consolidation and perfection of economic relations among the socialist countries, which is occurring particularly under the influence of this year's Moscow Conference of Representatives of Communist and Workers' Parties of the Member States of the Council of Economic Mutual Aid requires that the economists of our countries exert common efforts to achieve a theoretical formulation of the basic principles of the socialist international division of labor, as the Council of Economic Mutual Aid charged its commission for economic problems at its IXth meeting. This commission has just begun the work necessary to establish these principles. Therefore I have no intention of analyzing this problem in detail in this speech. But because of the significance of our conference and of its subject in concluding my speech I should like at least roughly to formulate the position which in my opinion must be the starting point for carrying out the socialist international division of labor.

In the first place we must agree on the concept of the socialist international division of labor. The socialist international division of labor is sometimes understood, and sometimes formulated in my previous work, as some ideal of the rational organization of production in the socialist camp, some "model" which we should approach gradually.

This concept might lead to a separation from reality, from the concrete given situation and the tasks resulting from it.

The socialist international division of labor must be seen as a developing, constantly perfecting historical process, starting from a certain concrete economic status of those countries which today make up the socialist camp and from their connection with the international division of labor at the time when the socialist world system appeared. We are talking therefore of the rational organization of production in the socialist world system, but always in terms of the given conditions and the concrete goals of the given period and never of some generally applicable ideal or "model."

It follows from this that the socialist international division of labor cannot be considered as some goal which the socialist countries should aim at. The socialist international division of labor is a tool for achieving a certain goal resulting from the application of the economic laws of socialism throughout the socialist world system. This goal is the most rapid continuous development of productive forces in all the countries of the socialist camp, in the interest of building a unified material-production base for socialism and Communism corresponding to the most rapid continuous rise in the living standards of the people in all of our countries. It is furthermore the maximum development of socialist production relations both within the individual socialist countries and among them, a development which influences the development of productive forces, and conversely. This means the maximum development of the world system of socialist production relations.

At the present stage of development the most concrete example of this goal is the fulfillment of the basic economic task, by the entire socialist camp as a whole. Because there is a certain confusion here also I believe that this goal should be understood such that all countries of the socialist camp together should catch up with and overtake in absolute production all the countries of the capitalist world system. In production and consumption per capita this means not all capitalist countries together but precisely the most mature capitalist countries.

At the present stage the realization of the socialist international division of labor must be subordinated to the goal, such that the countries of the socialist camp jointly fulfill this basic economic goal of our countries as rapidly as possible and with minimum expenditure.

Initially I said that the socialist international division of labor should be considered as a concrete historical process. From this standpoint the principal feature of the situation in which we must attack the realization of the socialist international division of labor is the fact that the countries of the socialist camp are not on the same level of economic maturity, but can be crudely divided into two categories: the industrially mature countries and the industrially less mature countries.

In this connection it would be actually wrong to believe that the competition with the most mature capitalist countries should be carried out only by the industrially mature socialist countries, while the others should perhaps hold up their development until this goal is fulfilled. Of course it would be equally wrong to believe that the more mature socialist countries should slow down this process until the less mature socialist countries catch up, and only then should they go forward together to begin competing with the most mature capitalist countries.

It follows from the basic economic tasks that the current continuing development of productive forces and the living standard of the people in both categories of socialist countries must be assured, and within this framework the development of the industrially less mature socialist countries must be accelerated.

All countries of the socialist camp must immediately undertake jointly the fulfillment of the basic economic goal. For this purpose all countries must jointly make the most effective possible use of existing and potential natural material and human resources of the entire socialist camp. This means that our countries must solve existing difficulties and shortcomings, not in isolation and not with short-term measures, which are always least effective, but conscientiously in the long-term and particularly by joint efforts.

If we accept as the most important principle that the main goal of the development of socialist economic relations among the countries of the socialist camp, the main goal toward which the concrete realization of the socialist international division of labor must be directed, is at the present stage the fulfillment of the basic economic goal by the entire camp, then the basic path and the basic criterion must be the rise in productivity of social labor, the saving of the consumption of social labor.

All other elements and viewpoints must be subordinated to this criterion, i.e., the criterion of maximum rise in the productivity of social labor within the entire socialist camp, particularly by achieving maximum technical development. This of course does not mean that we should not consider other elements, particularly political matters. But from the economic standpoint the decisive factor is the rise in labor productivity. And according to the criterion of rising labor productivity we must always choose concrete direction and forms of socialist international division of labor.

In previous discussions of economic collaboration, particularly of the division of production programs, circulation is frequently the starting point. Since, for example, most of the difficulties of the individual socialist countries are concentrated on the passive payments balance, the erroneous idea arises that it is justifiable to try to solve these difficulties by payments measures. Such measures include limiting the imports of machinery in the effort to achieve the desired volume of imports of raw materials. But the main way in which each of

our countries will overcome these difficulties and eliminate the negative payments balance is by achieving higher labor productivity. And this requires producing and importing still more machinery and equipment than hitherto, machinery on the highest modern level of technology.

The difficulties appearing in circulation are only a reflection of shortcomings in production. Their solution therefore lies in increasing labor productivity, in achieving the maximum technical level of production, including optimum proportions in the production of the entire socialist camp, and in the most effective possible connection between the national economy of each socialist country and these proportions. This again will be achieved by fulfilling the basic economic task.

Marxist political economics teaches us that in this sector as well, in realizing the socialist international division of labor, we must strictly maintain the principle of the priority of production over circulation.

In this connection, in my opinion, one more basic principle arises, the principle of establishing a proper relationship between goods and value in realizing the socialist international division of labor.

Whereas in the capitalist production system the goal of production is financial value, or excess value, and useful value is only its necessary carrier, in the socialist production system the goal of production becomes useful value, i.e., satisfying needs, and financial value is subordinate to it, although not entirely suppressed.

Therefore in planning expanded socialist production priority must be given to planning material proportions, both in the individual socialist country and throughout the socialist world system. At the same time of course one must not overlook value. All value categories must be used as well as possible, not such that the criterion of financial value dominates but rather such that by using value categories the optimum (from the standpoint of the given period and the given resources) material proportions of expanded production be assured throughout the socialist camp as a whole.

This principle also corresponds to our common goal -- the fulfillment of the basic economic goal by all the countries of the socialist camp. In order to work out the basic principles of the socialist international division of labor and to establish concrete goals and methods of its realization on the level of the entire national economy and the individual branches of the economy, we must now mobilize in all our countries the maximum number of economists working both in political economics and in the economics of individual industries. A direct command to do this was contained in the speech of Comrade Khrushchev at the XXIst Congress of the CPSU together with a demand for a theoretical solution of problems resulting from the development of long-range plans for the next 10-15 years in all of our countries.

The vigorous development of the socialist world system in the very recent past has meant that the concept of capitalist encirclement has become part of history, that we can speak of it only in the past tense. Now our countries have entered a period in which we are charged with achieving economic preponderance of the socialist camp over the imperialist camp, achieving the absolute preponderance of the socialist world system over the capitalist world system in material production, not only with respect to production relations but also with respect to the level of the forces of production.

Fulfilling this goal in the shortest possible time is the highest possible duty of the people of all socialist countries. For assuring the economic preponderance of the socialist camp will mean assuring world peace. It will mean the appearance of new quality in the historical development of society, characterized by a new concept of socialist encirclement. It will mean the transition to the final stage of the gradual victory of Communism throughout the world.

These grandiose perspectives give direction all the work and activity of the people in all the countries of the socialist camp. They give direction to our activity as well -- workers in Marxist-Leninist economic science. And as all the people of our countries, under the leadership of their Communist and workers' parties, are unifying their forces for the fulfillment of these great goals, we too shall unite our forces.

An important milestone along this road was the recently concluded meeting on collaboration of economic institutes of the academies of science of all of the countries of the socialist camp, the results of which will unquestionably help to unite the forces of the economists of our countries for the joint solution of the most important problems in the development of the socialist world system. We Czechoslovak economists are happy that this meeting was held in Prague. And the overall direction in which we have united our forces is shown at this scientific conference, whose theme is an expression of the highest degree of all previous development of society, the economic relations among the countries of the socialist world system.

VIETNAM DEMOCRATIC REPUBLIC

Bui Kong Tryng

I should like to voice some of my opinions on the international socialist division of labor and collaboration among the socialist countries. Principally I should like to speak of what this international collaboration and division of labor among the socialist countries has done for the Vietnam Democratic Republic.

After the restoration of peace Vietnam, according to the agreement of the Geneva Conference, was temporarily divided into two parts, which were to be reunited by free general elections. As a result of the intrigues of the American imperialists, however, who are attempting to divide our lands forever, so that, in the face of the efforts of the Asiatic nations and the entire world for peace they can make of southern Vietnam a military base against the Vietnam Democratic Republic, our country is still not united. As a result in one-half of the country capitalism rules while the other half -- northern Vietnam -- experiences socialist development. Southern Vietnam, which is conducting a policy of militarization and serves as a dumping ground for American goods which would otherwise not be sold, is in a state of depression. And if American imperialism did not give Ngo Dinh Diem political aid his clique could never survive in power. Northern Vietnam, with the help of the people's democratic power, is building a firm and stable economy in order to become a bastion in the struggle for peace and the unity of the country.

After the restoration of peace the Vietnam Democratic Republic received as a poor heritage of imperialism and feudalism an underdeveloped, exhausted, and broken economy still further damaged by the evacuation of enemy forces. The enemy, in an effort to cause us still greater difficulty, took southward machinery, ships, various other transport media, factory equipment, raw materials, and even specialists. The enemy hoped, as the result of this subversive activity at a time when our economy was in chaos and when an embargo policy was being conducted against us under the leadership of the USA, that we would be unable to consolidate the country. But the international situation at the end of the first half of the 20th century was different than previously. The victory at Dien Bien Phu, which ended the nine-year war of resistance, was enormously affected by the socialist system. Therefore we did not have to fear isolation in peaceful reconstruction and, in four years, we have not felt this isolation.

In 1954 the brotherly socialist countries came to our help and are still giving us unselfish aid. We received unselfish aid not only from countries such as the Soviet Union and China, which had enormous territories and a large population, but even from a country

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which is not great, has a small population, and is in no wise rich, such as Albania. This unselfish aid is a reflection of the refined spirit of proletarian internationalism, a spirit inspired by Communist ideas born more than 100 years ago and brought to life since the victory of the Great October Socialist Revolution and since the formation of the world socialist system.

Collaboration among the brotherly socialist countries differs sharply from the so-called "aid" of capitalist countries. Proletarian internationalism truly knows no boundaries, is not contained within the narrow bounds of nationalism, and has nothing in common with capitalist cosmopolitanism built on private property and monopolies and producing bourgeois nationalism governed by the principle which can be expressed by the saying "the big fish eat the little ones." Collaboration among the brotherly socialist countries, which day by day helps to consolidate the forces of the entire socialist camp and of each country individually, is in its principle of "one for all and all for one" the perfect opposite of so-called "collaboration" among capitalist countries, in which mutual competition of monopolies leads to the increasing and more rapid breakdown of capitalism. The failure to understand this is not a chance phenomenon; it is at least a manifestation of the survivals of narrow nationalism or a fall into the bog of capitalism in one form or another.

After the restoration of peace our country, thanks to the unselfish labor of the working class, the peasants, the people's intelligentsia, and the other working classes in the building of socialism, achieved considerable victories. We are quite aware that these victories are inseparable from the unselfish aid of the brotherly countries.

The socialist countries sent the Vietnam Democratic Republic the following free aid: China, 800 million yuan; the Soviet Union, 400 million rubles; German Democratic Republic, Czechoslovakia, Poland, Bulgaria, Rumania, Albania, Hungary, and Mongolia, 150 million rubles of free aid and a long-term loan of 250 million rubles. The Soviet Union gave us a loan totaling 160 million rubles.

Our friends came to our aid at a time when our country was economically in total chaos, when the villages were devastated, no work was done in the mines, communications were not operating, the fields were not cultivated, and production in the factories was temporarily stopped; at a time when the harvest was threatened and the people were suffering from hunger, cold, and disease. Our friends helped us with rice, textiles, and medicines. This help was extraordinarily important in restoring the health and working capacity of our people since it provided a basis for reconstruction and development of the economy and culture of our country.

Most of the enormous sums of aid mentioned above consisted in the delivery of complete and incomplete factory equipment, transport media, important types of raw materials, while a smaller proportion was made up of consumer goods.

The Soviet Union helped the Vietnam Democratic Republic to develop its power industry, to restore and expand the mining industry, helped in geological prospecting and the reconstruction of a comine to produce tin, helped in tin mining, helped to supply an apatite mine, and in the mining of apatite, built a factory for producing superphosphate, which is particularly important, and built and expanded a mechanized factory -- the first factory for the development of industry and agriculture in our country. Our people have dreamt of all this for many years.

China helped us by reconstructing the railroad net, the main transport arteries of northern Vietnam which had been destroyed by the war. That country also helped us to repair the large dams bombarded by the French during the war so that we could restore agricultural production which is the basis of our postwar activity.

The German Democratic Republic, the Soviet Union, Czechoslovakia, and Bulgaria sent us the most modern medical equipment and instruments for a number of our hospitals and provided us with large quantities of drugs.

In addition Czechoslovakia is helping us in prospecting, processing, and mining lead and zinc.

The friendly countries helped us also to build up a light industry which previously did not exist at all. For example, China helped us and continued to help expand the textile combine in Nam-dinh, building enterprises for producing paint, paper, factories to produce soda, factories for cleaning rice, the Hanoi knitting mills, sugar factories, etc. Poland is also helping us with the construction of a sugar factory. The USSR built two factories for processing tea and a factory for preserving fish. the GDR is building a glassworks and a mill. Czechoslovakia has built a factory for veneer production, etc. Rumania is helping us to expand a cement factory. Poland has chosen to send us steam boilers for electric power plants. China is helping us to build a metallurgical plant with a capacity of 100,000 tons of pig iron and steel per year, enterprises for producing nitrogenous fertilizers, a superphosphate factory, electric power plants, and a factory for producing liquid fuel. Previously we could only dream of all this. The USSR is also helping us in the reconstruction and expansion of the ports at Haiphong and Hung-yen. Thanks to this help we can change the orientation of our country and gradually the production of the means of production in northern Vietnam will achieve first place in industrial production. As a result we will be able to produce anything necessary for the development of industry agriculture, transportation, communications, and, above all, that which we need to strengthen the cooperative movement.

The socialist countries are not helping us only in material ways but also in the intellectual sphere, in the development of science and technology. Vietnam has for a long time been a colonial country. In culture, and particularly in science and engineering, our country was very backward. Our friends helped us by sending us thousands of

various specialists, whether engineers, teachers, or physicians. The brotherly Korean People's Democratic Republic is sending us considerable aid in art as it is able. The friendly countries have furthermore been helping us for four years by enabling thousands of our citizens to study and practice abroad. We have also visited irrigation installations and industrial and agricultural plants where we have learned of the experience of the leading workers. We have participated in international conferences on fishing, railroad transport, etc. These contacts have further strengthened the mutual collaboration among the socialist countries and have meant a great inspiration for us.

Specialists from the friendly countries are working unstintingly in Vietnam and have given us all their knowledge. Some specialists have even given their lives in this work. Could all of this have happened if the refined spirit of proletarian internationalism did not exist?

Would such splendid nobility have appeared in our country if without the blossoming of the Marxist and Leninist spirit of proletarian internationalism? When I speak of this I think of the heroic death of Julius Fucik, who gave strength not only to the Czechoslovak people but to the people of all other countries as well.

Without the help of our friends it would have been really difficult to achieve in three short years essentially the prewar level of the development of industry and build fifty large and small enterprises in addition. By the end of 1957 gross industrial production in northern Vietnam equaled 13.9 percent of the industrial output of cottage production and agriculture. Thanks to the aid of the brotherly socialist countries the rate of increase of modern industry rose considerably although in 1957 it represented only 9.5% of the national economy and the output of all industry and cottage production was only 33.6%. In the next three years (1958-1960) industry will develop still more rapidly. Whereas in 1957 total industrial production was worth 385 billion dong, in 1958 it rose to 496 billion dong and in 1960 it will rise to 885 billion dong. The annual increase is thus 30%. In 1960 the share of total output of modern industry in the overall production of industry and agriculture will rise to approximately 20% and, including local and cottage industry, to more than 37%.

Concerning investment construction, in three years (1958-1960) investment in industry will equal 803 billion dong, of which 76% will be invested in industry producing capital goods. The investment in industry will equal 47.6% of the investment in the entire national economy. For Vietnam, which has 27 million inhabitants (around 14 million in northern Vietnam) and where the economy is still backward and disproportionately developed (there are still great disproportions in the economy of southern Vietnam), large investments in industry producing capital goods are necessary. This must be taken into account. It is quite clear that in addition to industrialization which must be carried out relatively rapidly in our country agriculture must be

further developed since it is the basis of our present economy. Our national economy must not only be evenly and proportionately developed, it must also maintain pace with the development of the entire world socialist economic system.

Naturally today when the world socialist economic system exists it is not necessary for Vietnam to have a broadly mature heavy industry. The socialist countries in which this industry is on a high level will still continue to help us. But it is quite necessary to coordinate long-range plans so that we can supplement one another. Therefore we are very glad to participate in the joint detailed study of the problems of more rational international division of labor within the socialist system so that our collaboration and mutual aid may grow in scale, so that we can avoid the damage resulting from insufficient coordination in the division of labor among the countries of the socialist camp.

Such international collaboration, mutual aid, and division of labor are seen both in production and in circulation in the national economy of the countries of the socialist camp. Foreign trade is only one form of economic collaboration. Thus it would be quite wrong to consider foreign trade merely as a representation of profits achieved by exchange of excess goods in the interest of one country alone.

It is particularly important for international collaboration and division of labor in the socialist camp to be based on even and proportional growth of expanded production directed toward the rapid and proportional development of the economy of the entire socialist camp and toward the continual rise of the living standard of the people in each socialist country. Therefore the foreign-trade plans in each socialist country must be based on coordination of long-range plans of the socialist countries, particularly plans for the continual and proportional development of production.

Today this is important and pressing not only for the European socialist states but for the socialist countries of Asia as well. The economic system of the socialist camp has become an indivisible unit. The socialist countries which exist outside the capitalist world would, without collaboration in economic affairs, not soon be able to win in peaceful competition over the capitalist world. And in those people's democracies in which the building of socialism has not been completed they would encounter great difficulties.

The building of socialism in each individual country is today indivisibly connected with building socialism and Communism in the entire socialist camp, and is very closely connected with preserving the peaceful work of the entire socialist camp.

The Vietnam Democratic Republic, whose economy is underdeveloped and not well rounded, is particularly aware of this fact. In collaboration with the socialist countries in foreign trade we have become aware that goods which are exchanged with us by the brotherly countries are not goods which would be difficult to sell. On the contrary, the majority of them are factory equipment, machinery, raw

materials, and even valuable metals of which the brotherly countries themselves suffer a shortage. It is thanks to foreign trade that the Vietnam Democratic Republic has been able to develop evenly. In 1955 foreign trade totaled 80.5 million rubles, of which trade with the socialist countries equaled 76 million rubles, or 94.5%. In 1956 the socialist countries occupied 139.1 million rubles out of a total foreign-trade turnover of 157.8 million rubles, or 88.2%. In 1958 out of a total of 511 million rubles foreign-trade turnover with the socialist countries will be around 471 million rubles or 92.2%.

Consumer goods, which the brotherly countries send us in the form of free aid or through foreign trade, were also very important for stabilizing the prices of foreign-trade goods and balancing the budget of our country. Thus the brotherly countries extended us considerable aid at a time when we had not rebuilt our industry and cottage production.

If we did not devote sufficient attention to the exchange of goods with the socialist countries, particularly at a time when we were taking the first steps to restore our war-destroyed economy, we would undoubtedly have been unable to provide normal conditions for economic life. In 1955 total foreign-trade turnover between our country and the capitalist world totaled only 4 million rubles.

During the goods shortage, which we experienced at the end of 1956 and the beginning of 1957, the bourgeoisie in our country utilized all opportunities to wage a vigorous attack against us. Nevertheless this bourgeoisie is weak, both politically and economically, although it had considerable financial resources and relied on an extensive petty-bourgeois hinterland (agriculture and cottage industry totaled 86.1% of the national economy).

The bourgeoisie increased its speculative activity and the struggle against the socialist sector in order to extract the maximum profit. Thus it caused great damage to the national economy and the working masses. We are quite aware that in this cruel struggle we were victorious thanks to the socialist countries, which once again came to our aid and gave us the necessary goods. This indicates eloquently that the Vietnam Democratic Republic is a part of the socialist camp, from which it will never be separated, since this is a decisive condition for the existence of the people's democratic regime in northern Vietnam and for the development of the economy and culture. This shows that narrow nationalism is today in total conflict with objective fact in all areas of socialist construction, both in individual countries and throughout the world. At the present stage of development of the national economy we are still more clearly aware of the unacceptability of a policy of autarky. Therefore we believe that the socialist states must have a division of labor, must collaborate as closely as possible, and must extend all possible aid to one another. The purpose of this aid is the continual development of productive forces, a continual rise of the living

standard of the people in the countries of the entire socialist camp, and the achievement of a definitive victory of our camp over the capitalist world in economic competition, since the victory of a single socialist country cannot be separated from the victory of the entire socialist camp.

But both in our country and a number of other socialist countries there are revisionists who say that the international division of labor, mutual collaboration, and aid among socialist states lead to the loss of independence in all countries. But what is independence? To lose independence means to be exploited. But this cannot be said of the socialist countries, built on the principle of social ownership according to the teachings of Marx and Lenin in which all forms of exploitation of man have been eliminated. In the collaboration of these countries there can be no dependence" and no exploitation as might be thought from the standpoint of narrow bourgeois nationalism. Nevertheless these nonsensical ideas have begun to appear recently in all corners. Of course this is only a manifestation of the desperate reaction of the world bourgeoisie to the irrepressible course of history toward complete destruction of the capitalist system, whose twilight is upon us, and toward the ever greater consolidation and unity of the lands of the socialist camp, in which a bright day is dawning. The unity of the socialist camp is a source of its power. It must therefore be based on a firm and unified system of all socialist countries. Production relations and productive forces during the period of socialist construction are on various levels of development in various countries; but our countries have an overall tendency to still more intensive building and consolidation of socialist production relations and to continual development of productive forces. Therefore international economic collaboration and division of labor in the socialist camp must also be directed toward the overall goal, i.e., must help the successful socialist transformation of the economy in those countries in which nonsocialist economic sectors still exist. The international division of labor and collaboration among socialist countries will contribute to perfection of production and price formation in these countries. Socialist accumulation and the continual improvement of living conditions are based on perfection of technology and organization of production. In the underdeveloped socialist countries, which include the Vietnam Democratic Republic, technology must be perfected and the economy developed more rapidly. In doing so it is necessary to use the brotherly aid of the highly mature socialist countries. This aid is necessary not only in industry but also in agriculture, not only in heavy industry but also in light industry.

Completion of the transition from private ownership to collective ownership, or ownership by all the people, and the gradual transition from collective ownership to ownership by all the people in the socialist countries all belong to the category of conflicts which to a greater or lesser degree have hindered the development of the productive forces in

various socialist countries. The same category also includes perfection of the organization of production, the management of economic activity, the international division of labor, and international collaboration. The need for socialist international division of labor at the present time is quite clear, and it is only necessary to make all the necessary preparations so that this division of labor will be still more extensive and profound. In doing so the international division of labor must be made rational and must correspond to the capacities of each country.

In my opinion the coordination of the long-range plans of the socialist countries differs from the experience with the plans of individual republics in the USSR. I mention the example of the Soviet Union to point out how it is necessary to organize in terms of the present situation. It is also necessary to prepare the organization still more rationally so as to meet coming situations.

Thus we must study the resources and requirements of each country so that we can use these resources still more fully in the interests both of the socialist camp as a whole and of the individual countries, so that each country can produce those goods which are most profitable not only for it alone but also for the other countries of the socialist camp. This will be possible only providing that goods are relatively cheap, since production costs will continually fall. With the existing uneven technical development of different countries, however, in my opinion it will be necessary to extend a discount to some of them. This is not an attempt to maintain backward technology and irrational organization of production, but will help the national income in different countries to be distributed according to the principles of mutual aid. If we proceed in this fashion we will not cause the least difficulty in collaboration with the brotherly countries in the continual improvement of the perfection of technology in a number of branches of industry and in the gradual introduction of rational production prices. It would be the creative application of the law of value. The law of value must be used in the interest of production, in the interest of the successful management of economic activity. We must not forget this. We must also realize that as a result of the survivals of capitalism various countries will develop at different rates along the road to socialism. To work for socialism does not mean to fulfill exclusively economic goals, but it does mean to meet political goals.

Peaceful competition with the capitalist world means producing more, better, cheaper, and more rapidly, so that the living standard of the population of the socialist countries will exceed the living standard of the population in the capitalist countries. The successful solution of this problem requires the perfection, consolidation, and continual development of the economic and scientific-technical collaboration among socialist countries. This will contribute to the consolidation of the internal unity of our ranks in the struggle with the capitalist world. This is a vast political question on a world scale. I am quite convinced that we will undoubtedly achieve complete unity and that we will be definitively victorious over capitalism.

GERMAN DEMOCRATIC REPUBLIC

G. Kohlmei

The Declaration of the Communist and Workers Parties of November 1957 and the Communiqué of the Conference of Representatives of Communist and Workers' Parties of the Member States of the Council of Economic Mutual Aid of May 1958 contained basic directives for the further perfection of the theoretical and practical work in the international division of labor within the socialist world economic system. The perfection of our scientific-economic work in this field is necessary since our publications concerning the socialist world economic system usually are very descriptive and declarative. We have not yet sufficiently analyzed the objective social connections with their conflicts and laws. We are lacking particularly:

1. The production of a qualitative analysis of the objective system,
2. Improvement of quantitative analysis of proportions and other processes of this system.

INTERNATIONAL DIVISION OF LABOR AS A SOCIAL PRODUCTIVE FORCE

The principles of the international socialist division of labor can be clarified completely only if one is speaking about the purely economic category of international division of labor. This has not hitherto been so. One author assigns the international division of labor only to productive forces, another to productive relations, and a third to both, as an element of the entire production technique. A clarification of this question has immediate practical and political results.

In my article "Developmental Problems of the Socialist World Economic System", Berlin, 1958, I have assigned the international division of labor to productive forces. I should like here to justify my position briefly.

Human labor is a process in which society affects nature in the interest of producing material goods to satisfy needs. The perfection of human labor is carried out as the development of productive forces, i.e., human manpower and working resources. At the same time the perfection of human labor and productive forces means an increase in the socialization of production, i.e., the concentration of production and the division of social labor. At the same time we distinguish various levels of the social division of labor. One of these levels is the international division of labor.

In the social working process people form a relationship not only to nature but to one another. Thus each working process takes on its social form. This social form is ultimately dictated by the development

of productive forces. Therefore the social division of labor as an element in the social work process has a very important effect on social relations. Here we may point to the social effects of the emergence and changes in the division of labor on physical and mental work, on work in industry and agriculture.

These statements concerning the determination of social form, i.e., of production relations with social content or productive forces, apply equally to international relations between capitalism and socialism. The international division of labor is a necessary basis for the production of the capitalist world economic system and it is simultaneously an important aspect in the process of material preparation of the socialist world system.

In the Annenkov letter of 29 December 1846 Marx wrote of the definition of social relations of the division of labor:

"What is the overall internal organization of nations, all their international relations, but another expression of a certain division of labor? Must this not change along with a change in labor?"

Also, Marx' conclusions in Chapter 12, Volume I, Kapital, particularly point 4, lead unambiguously to the conclusion that the division of labor is a productive force which takes on various social forms. At this point I might also mention Chapter 38 of Volume III.

Therefore I agree with what V. Kaigl said at the conference on the international division of labor in the socialist world system held in December 1957 in Liblice. Comrade Kaigl said:

"The social division of labor is therefore a developmental form of the movement and change of productive forces of society."

However, in this speech there were other conclusions which conflict with this point. Nor in today's speech was there a single unambiguous, clear definition.

Other authors quite clearly reject the concept of the international division of labor as a social productive force.

For example, G. Deborin (The Socialist World System, Moscow, 1958) places the international division of labor on a level with its social form. He writes (page 65):

"The international socialist division of labor is the equal and voluntary economic collaboration of free nations, their brotherly and unselfish mutual aid".

Similar statements can be found elsewhere.

A. Kozik appears to have essentially the same idea as Deborin. In his contribution "The Emergence and Basic Features of the Socialist World Economic System", which was published in a recent symposium (The Socialist World Economic System, Moscow, 1958), on page 113 he characterizes the international division of labor as one form of international economic relations,

We see thus that, whereas previously a large part of our literature was inclined to identify the socialist world economic system with part of its production relations, that is, with the socialist world market,

there is now a tendency on the part of some authors -- despite the fact that they eagerly avoid a clear definition of the economic category of the international division of labor -- to identify the socialist world economic system with a part of its productive forces, i.e., with international division of labor. Both are wrong.

It is thus clear that in one of the important basic questions of Marxist theory of the socialist world economy we lack sufficient theoretical clarity and precision.

D. K. Trifonov proceeds differently from Deborin and Kozik. In his article "Forms of Production and Ownership" (University Herald, Leningrad, 1956, No 23), he distinguishes the relation of productive forces, the level of the social division of labor, and the level of socialization of labor, places these three factors next to one another, and combines them in the concept of "production form". I cannot agree with this. Instead of a mechanical grouping together we need a dialectical development of form. The individual (division of labor) develops through the special (socialization) to the general (productive forces).

Therefore I should like to present for discussion the question of whether it would be correct to distinguish between the social division of labor as a productive force and its social forms (production relations). Social forms have either a reactionary or a progressive effect on the division of labor.

The international division of labor as a social productive force contains natural and historical elements. This fact is of practical significance, for socialist society initially receives the international division of labor as it arose under capitalism, with its historical and natural conditions. We must see what must be left and what must be changed.

The part which must be gradually and carefully eliminated is deformation of the natural factor, such as is seen, for example, in the so-called colonial monocultures, or in the fact that the colonial and dependent countries were prevented from building an extensive national processing industry using their own natural resources, raw materials, and power.

On the other hand we must examine where the international division of labor as developed under capitalism, has rational elements and how these elements can be preserved and further developed.

Naturally we eliminate all disproportions and deformations caused by capitalist exploitation, suppression, and competition in productive forces and thus in international division of labor. This transformation requires a long time.

But we immediately eliminate social-economic forms of international division of labor of the capitalist world system and many other of its methods.

The law of the reduction of the dependence of people on the basic effects of the natural factor applies to the development of the international division of labor, just as it applies to the development of productive forces. Here one could point to the oil pipelines, synthetic fibers, plastics, and atomic energy. Whereas under capitalism people cannot liberate themselves in a planned and uninterrupted manner from natural basic forces, a socialist planned economy provides the possibility for complete utilization and growing mastery of natural forces in the interest of individual nations and of the socialist world economy as a whole.

THE NONANTAGONISTIC CONFLICT BETWEEN THE INTERNATIONAL DIVISION OF LABOR AND ITS SOCIAL FORMS

All economic development is suffused with the conflict between productive forces and productive relations. This is true of world trade as well. Let us compare capitalism and socialism.

In the capitalist world economy the process of socialization of production appears as a process of international division of labor or economic enslavement of nations. This development of international division of labor occurs under capitalism within the system of social exploitation, national subjugation, and international competition. These capitalistic forms are increasingly in acute conflict with the historical tendency, peculiar to productive forces, for increasingly close economic contacts between nations and continents. Thus the general conflict of the capitalist production technique is made more concrete between the socialization of production and private capitalist ownership in this general conflict of the capitalist world economy: the conflict between the tendency toward ever closer economic contact of national economies on the one hand and capitalist methods of exploitation, suppression, and competition on the other hand.

The situation is quite different under socialism.

Under socialism the socialization of production corresponds to the social ownership of the means of production. The international division of labor is therefore carried out in the form of solid economic collaboration among nations and space. The conflict between the international division of labor and socialist production relations is non-antagonistic. The international division of labor is carried out calmly and in a planned manner among equal sovereign socialist states.

The Yugoslav socialists have a different view. Since they deny the existence of two social-economic, mutually exclusive, but coexistent world economic systems, they cannot accept the concept of two basically different conflicts in the capitalist and socialist world economic systems. It is of course correct -- as I wrote in my "Developmental Problems of the Socialist World Economic System" -- according to external

form to speak only of a single world economy and a single world market. The international division of labor and international commercial relations are important elements of the world economy. The world economy and the world market are all-inclusive. But today they are not unified. According to their social-economic content the capitalist and socialist world economic systems are opposed to one another. The competition between these two systems is the principal feature of the current era. The Yugoslav socialists believe, however, that the present world economy is unified and that it contains a general conflict between economics and politics, more precisely between the world economic union of nations and the policy of powerful blocs opposing this tendency toward union. Thus the Yugoslav socialists in this theoretical field also equate socialism and capitalism. On the one hand this is a slander against socialism, and on the other hand it means an ignorance of the laws of historical development.

The Yugoslav state secretary for foreign affairs Popovic expressed this concept at the beginning of 1957 in the Yugoslav Parliament as follows: "Great and profound changes have occurred in recent decades in international life. They include the objective tendency to increasing general mutual dependence and equality, the formation of a single world market for general mutual economic contact. From this follows the possibility for reducing differences between the developed and underdeveloped nations and areas. We call this entire process the strengthening and preponderance of socialist elements in the world, the shift of the world toward socialism. Political relations and concepts which are dominant in the world today lag behind this material development. The militaristic and strategic approach to political questions predominates in them. Therefore we face this situation. On the one hand we have the general progressive, objective tendency, and on the other hand an 'inadequate' but hard fact which is the heritage of past conditions and weakens this tendency".

According to Popovic the "two blocs" in the world are the direct result of the general conflict between the progressive material tendency and the reactionary policy which is common to capitalism and socialism. This view ultimately makes it impossible to understand the existence and development of the socialist world economic system.

The existence of the two world camps is a direct result of the historic development, the laws, the sharpening of all the contradictions of capitalist society, and the gradual victory of the socialist revolution in the world. Therefore the existence of the socialist camp is not the result of any "bad" policy, nor is it any spontaneous progressive tendency toward socialism resulting from the movement of productive forces.

In the socialist world economic system the social ownership of the means of production unites not only the individual but also nations in an ever more unified whole. The conflict between productive forces

and productive relations has a progressive nature and can be solved without antagonism.

This conflict takes various forms at various levels of development. In my opinion a characteristic of the socialist world economic system at the present stage is the conflict between the international division of labor which is essentially old, being inherited from capitalism, and the new international division of labor resulting from socialist production relations. This conflict will be overcome by solving the basic economic task, which means building the international division of labor.

THE TWO PRINCIPLES OF THE INTERNATIONAL DIVISION OF LABOR UNDER SOCIALISM

In order to overcome various conflicts and to solve the main economic task the principles of the international division of labor corresponding to proletarian internationalism shall be used.

Of various socialist principles of the international division of labor we present briefly two.

Principle One: Industrialization and development of a large, skilled working class in each technically and economically underdeveloped socialist country, and international aid in this process.

Principle Two: The gradual, planned location of each type of important large-scale-serial production in the place where it is economically most suited in terms of cost and results.

In the long run these two principles are in harmony, but in the short run they may appear to be in conflict. This can be seen in actual international division of labor. Here we must compare the two principles in the economic choice between various possibilities of investment and production.

In short-term decisions priority must usually be given the first principle; the second principle must be subordinated. In the short run the principle of the international economic optimum is applied more the more highly industrialized is the individual socialist economy. Under these circumstances the level of labor productivity is not very different. If, however, at the present level of development of the socialist world economic system it was decided to specialize production only according to the principle of the international economic optimum, it would be impossible for sufficient aid to be extended to the economically underdeveloped countries.

The difficulty in the practice of our international economic collaboration lies primarily in the fact that both the above principles must be combined at present such that in the long range the interests of socialist industrialization may be brought into harmony with the requirements of the principle of the international economic optimum for the accelerated fulfillment of the basic economic tasks. This is not easy, since a detailed economic survey of development of individual

types of production depends on many scientific, technical, economic, and other factors, so that it can be developed only on a limited scale. We are dealing here with the problem of economic choice with respect to at least three main factors: technical progress, industrial development of each individual socialist state, and the time factor.

If this is expressed numerically the simplest case of two variants and three periods appears as follows. In these equations the symbols have the following significance:

T = time;

P, p = production;

A, B, a, b = two different countries;

Δ = increment;

Σ = sum; and

x, y differentiat among expressions for different time periods.

Variant 1.

Developed country A extends relatively little aid to underdeveloped country B.

$$\begin{array}{llll} T_0 & P_a = 100 & P_b = 20 & \Sigma P_0 = 100 \\ T_1 & P_a = 100 + 30 & P_b = 20 + 6 & \Sigma P_1 = 156 \\ T_2 & P_a = 130 + 33 & P_b = 20 + 7 & \Sigma P_2 = 196 \end{array}$$

Until time T_1 production in country A and country B increased 30%.
Until time T_2 the values increase around 25%.

Variant 2

Developed country A helps underdeveloped country B more than in variant 1. Therefore A must temporarily (until time T_1) limit the rise in its own output (in our case to a 25% instead of a 30% increase). Although this leads to a greater rise in B (40% instead of 30%), P_1 remains lower than in variant 1. The loss occurring in the total volume of P_1 will be greater than the greater increase in P_2 . In our example production in variant 2 up to time T_2 in A increases by 30% instead of the 25% in variant 1, and in B by 50% instead of 25%.

$$\begin{array}{llll} T_0 & P_a = 100 & P_b = 20 & \Sigma P_0 = 120 \\ T_1 & P_a = 100 + 25 & P_b = 20 + 7 & \Sigma P_1 = 153 \\ T_2 & P_a = 100 + 38 & P_b = 20 + 14 & \Sigma P_2 = 205 \end{array}$$

In equations this example takes the following form:

Variant 1

$$\begin{aligned} T_0 & P_a + P_b = P_0 \\ T_1 & (P_a + \Delta P_a) + (P_b + \Delta P_b) = P_1 \\ T_2 & (P_a + x \Delta P_a) + (P_b + y \Delta P_b) = P_2 \end{aligned}$$

Variant 2

$$\begin{aligned} T_0 & P_a + P_b = P_0 \\ T_1 & \sqrt{P_a + (\Delta P_a - a)} + \sqrt{P_b + (\Delta P_b + b)} < P_1 \text{ (where } a > b) \\ T_2 & (P_a + m \Delta P_a) + (P_b + n \Delta P_b) > P_2 \end{aligned}$$

Naturally there are many other variants. Here a simple example shows, however, the source of certain practical difficulties in international specialization, coordination, and cooperation, and how the basic decisions must be made, i.e., generally in favor of variant 2. For the accelerated fulfillment of the basic economic task of the socialist states it might be necessary to decide in favor of variant 1. In practice many other factors enter and confuse the simple picture. In each case socialist industrialization and international socialist economic collaboration are two processes which are indivisibly connected and mutually influencing.

For this reason it seems to me somewhat general and imprecise for V. Kaigl in his speech of today to have said that the criterion for the international division of labor is "the maximum increase in the productivity of social labor in the socialist camp as a whole" and that "all other aspects and elements" must be subordinated to this principle. Lacking here are the time factor and socialist industrialization, which I mentioned and which must be taken into account in economic decisions concerning the international division of labor. It may of course happen that in the short run we achieve maximum productivity increase in a certain proportion of the machinebuilding industry in the socialist camp as a whole precisely by beginning the development and international specialization of this branch of industry only in the USSR, Czechoslovakia, and East Germany. But where does this leave the planned international help to the industrial development of China, Bulgaria, etc, in which the productivity of this portion of machinebuilding is much lower than in the aforementioned countries. On the contrary we must achieve increased labor productivity throughout the socialist camp by industrializing in time and in a planned manner all the national economies of the socialist world system to specialize the development of industry on an international scale.

Therefore, in my opinion, the somewhat general views of Comrade Kaigl may lead to false conclusions.

In this case it is also necessary to state that important basic questions of Marxist theory concerning the socialist world economy still await treatment.

Economic choice among the above variants may be made on the basis of current prices (or of fixed prices) in individual countries only if these prices approximately express value, or at least if the movement of prices approximately corresponds to the movement of value. Since this is not the case at present, we must first bring order into the national and international price system, and then we need a system of indexes permitting international comparisons. We must make better balances and computations.

These brief comments are intended to bring into proper focus the efforts of certain Marxist economists to limit the discussion of the profitability of foreign trade to a single or principal point of decision concerning international specialization. It must also be realized that the decision concerning foreign trade and specialization on the basis of an incorrect price base leads inevitably to cumulative processes which cause inequality in the development of individual countries and branches of the economy. In this case the value law would be, and unfortunately often is in practice, a partial regulator of circulation and production.

THE EXAMPLE OF THE INTERNATIONAL SOCIALIST CHEMICAL PROGRAM

I should like to illustrate certain basic problems and methods of the international division of labor in the socialist world economic system by the example of the chemical industry.

This branch of industry occupied the central position in the fulfillment of the basic economic task of the socialist camp. The great international chemical program of the socialist states is particularly important for the GDR. This branch of industry occupies second place in labor productivity in our economy and it also occupies second place in share of total industrial output (1958 plan: machinebuilding, 30 percent; chemical industry, 14.5 percent). It is in second place in exports (1958: 18 percent), it is in second place in the world in the level of per capita production, and in total world output it is in seventh place (with 4.5 percent) after the USA (40 percent), the USSR (14 percent), Great Britain, West Germany, Japan, and France. At present (the 1958 plan) the chemical industry occupies 14.5 percent of gross industrial output in the GDR, whereas in 1957 this industry occupied 11 percent in West Germany, 5.2 percent in Czechoslovakia, 5.2 in the USSR, and 4.8 percent in Poland.

Part of the main economic task of the socialist camp is to eliminate the absolute and relative lag of important parts of the chemical industry behind the leading capitalist countries. Since the chemical industry supplies important producer and consumer goods and can replace natural raw materials with extremely valuable synthetics, and is furthermore very productive, a great international chemical program of the

socialist states was worked out in terms of the economic competition with the capitalist world system.

Because of the key position of the chemical industry in the national economy of the nations each socialist country is building its own chemical industry -- of course with international coordination and specialization. At the same time there are varying degrees of intensity in individual items.

The main burden of the plan for development and specialization consists in synthetic fibers, plastics, synthetic rubber, and synthetic fertilizers. This orientation is important not only for mastery of the basic national factor but also for increasing labor productivity and increasing the output of industrial and agricultural products.

In relative production (per capita) our group of nations is at present below the level of the leading capitalist countries in these four groups.

In 1957, for example, production of plastics -- which are important for industrial and individual consumption -- in West Germany equaled 11.4 kilograms per capita, in the USA 11 kilograms, in Great Britain 7.7 kilograms, and in France 3.5 kilograms, whereas the figures for East Germany were 6.4 kilograms and for Czechoslovakia 2.8 kilograms. In 1965 production per capita in East Germany is to equal around 17.8 kilograms.

Total output of the chemical industry between 1958 and 1965 in Bulgaria and Rumania is to increase to 400 percent, in the Soviet Union to approximately 300 percent, and in the countries to at least 200 percent. Nevertheless not all goals will be fulfilled in 1965.

All the quotas for increase in Bulgaria and Rumania show how labor productivity and mutual international aid can be increased in the socialist social system. They also demonstrate the rational utilization of the natural factor in the international division of labor in the socialist world system (Rumania: oil base; Bulgaria: carbide base).

In this connection we should like to point out that organic analysis based on oil is much cheaper than that based on carbide. For example, the production of certain basic materials for polymerization processes in plastics production is four times more productive than when carbide acetylene is used. Therefore work has begun on a large oil pipeline from the USSR through Hungary to Czechoslovakia and through Poland to the GDR. Expenses for the construction and maintenance of new oil pipelines will be more than met by the reorganization of part of the chemical industry from a coal base to an oil base (in the USA about 50 percent of chemical production is now based on oil). Whereas today in the GDR we consume more than one million tons of oil, consumption in 1965, thanks to large supplies from the USSR, will be five to six million tons.

From these examples we can see how the international division of labor utilizes and develops the natural factor on the one hand -- this

is true of natural gas as well -- and on the other hand increasingly liberates industry from the basic effect of the natural factor (oil pipelines on the one hand, plastics on the other).

The example of the chemical industry can be used to point to another question, of equal importance for the theory and practice of the international division of labor: the new international division of labor stands and falls on its foundation, on the coordination of scientific work and the development of international collective scientific work. We have here a sort of system of levers of planned international economic collaboration: science -- technology -- investment -- specialization and cooperation of production -- foreign trade. It is precisely in the chemical industry that economics is very dependent on the development of natural sciences. International agreements on investments, the specialization of production, and agreements on foreign trade will be rational only when they are based on the development of scientific research. If this does not happen development will take the wrong direction and will lag behind the international level and state of development of natural sciences. Therefore we can prevent many difficulties in the practice of international development if we take account primarily of the specialization and coordination of new types of production with new techniques and new methods, and make contact with programs for scientific research and development.

Modern industry makes increasingly systematic use of the entire system of natural sciences. Scientific work has increasing significance for raising labor productivity. An important problem emerges of the international division of labor and cooperation in scientific work. I should like to devote particular attention to that here.

The connection among the natural sciences, technology, and economics is manifested in another manner.

The development of chemical science is progressing very rapidly. Procedures, equipment, and systems of machinery become obsolete now very quickly. This means, among other things, that:

1. Although the investment expense per production unit is relatively low, the investment cycle is relatively short and as a result amortization writeoffs are high.
2. The introduction of new production procedures must be accelerated. Therefore the production of control and pilot-plant equipment must be accelerated. The journey from the laboratory to mass production still takes too much time.
3. International exchange of research work must be set up and the exchange of documentation accelerated.
4. The international specialization of production must be very flexible. Agreements on international trade must be in harmony with the development of science, technical progress, and the specialization of production.

In view of the absolute size of the chemical industry and of the rapid turnover of part of the basic resources, investments must be absolutely high but low in proportion to the volume of production (the capital factor) and to the formation of income (the income factor).

For example, investments per thousand cubic meters of plastics compared to the investment expense for the same quantity of iron and aluminum are in the proportion of 1:3:5, while in energy consumption the proportion is 1:5:8.

Another example: our entire chemical program between 1960 and 1965 will require approximately 9 billion DM of investments. If in the production of tar we did not use 6 million tons of oil but instead used our own brown coal this would require 12 billion DM of investments merely for mine preparation and coal mining. In the GDR there are still other factors which have an unfavorable effect on the need for investments.

Therefore in the GDR investments between 1960 and 1965 increase progressively with a rise in production. Investments in comparison with the present Two-Year Plan are to rise by 136 percent, whereas production will rise by only 64 percent.

Approximately 50 percent of investments are for construction and 50 percent for machinebuilding. Orders for 4.5 billion DM for machinebuilding mean that large machine-building factories must change their production programs and profits. This is also true of certain other socialist states. Therefore the international program of specialization in machinebuilding must be reexamined on the basis of the chemical program. At the same time one must see to it that only the most modern chemical instruments, equipment, etc., are manufactured, and this must be done in large series with small expenditure. In this field a great deal of backwardness, of decentralization, parallelism, etc., must also be eliminated.

Finally, some of the numerous practical and theoretical problems of our international chemical programs must be discussed:

1. The problem of international specialization can be properly solved only if a large number of national and international price problems is solved.

2. Various common investment programs, such as the construction of oil pipelines and the execution of recommended or required research, developmental, and design work, bring up the problem of financing in its intranational and international aspects.

3. A system of multilateral agreements must be built up while certain of the more important recommendations of the Council of Economic Mutual Aid and its commissions must be carried out by means of bilateral agreements.

4. The international chemical program will cause new problems in international trade, both with the capitalist world and among the socialist states. For example, exports and imports of the chemical industry in the GDR between 1958 and 1965 will rise as rapidly as gross output of the chemical industry, but there will be a considerable change

in composition: the proportion of exports of basic chemicals will drop while there will be considerable increase in the exports of semifinished and finished products.

5. The international specialization of the chemical industry and the resulting specialization of machine building, metallurgy, and electrical engineering will produce new transport problems. Everyone knows that there are bottlenecks here and the construction of oil pipelines will solve only part of the problem.

6. Since the international socialist system must catch up to and overtake the advanced capitalist countries in investment activity, every investment must be more effective than under capitalist conditions. Therefore we must be very careful in balancing and computing, and must develop scientifically perfect rules for international comparisons of the effectiveness of investments.

7. Lastly -- and not least in its significance in the national and international economy -- the system of international accounting must correspond more closely to the requirements of international socialist division of labor. In other words, financial pressure on enterprises to fulfill international obligations in all directions must be increased about as much as the financial outcome from the timely and faultless fulfillment of international obligations (the research work, designing, production).

We have had certain comments here on the theory and practice of the international division of labor in the socialist world economic system. It should be apparent that the theoretical problems can be recognized and solved only in close collaboration with practice. It would be desirable for the economic institutes of the other socialist states to follow the example of the Czechoslovak comrades, who are now holding the fourth international discussion on problems of the socialist world economic system, and for us to conduct regular international discussions of a number of basic and special questions.

BULGARIAN PEOPLE'S REPUBLIC

T. Vladigerov

The basic economic factor causing intensification of international collaboration among socialist countries and with all other countries who wish it is the need for the rapid development of the international division of labor. The international division of labor is closely connected with growing specialization and increasing production. The more the individual socialist countries specialize in their economies, and the higher their specialized production, then the closer their mutual economic relation become.

At the present level of economic development powerful forces affect the intensification of specialization and concentration of production in the primary phase of each production process -- i.e., the mining industry, power, and agriculture, in which we most frequently encounter natural phenomena.

Also in the analysis of the long-range economic development of the Bulgarian People's Republic we can see that the significance of the international division of labor is increasing. The specific combination of soil, climatic and hydrographic conditions, mineral wealth, etc., added to other economic and historical factors, definitely determines the shape of the national economy, in which the optimum combination of specialization and complexity can be achieved only on the basis of a high degree of division of labor among the socialist countries. This is no less true of the other people's democracies and of the entire socialist camp.

From the standpoint of the socialist camp as a whole those sources of mineral raw materials must be developed rapidly, those agricultural products produced, and those energy reserves utilized which at the given level of technology are cheapest at the point of consumption, i.e., from the standpoint of transport costs. If every country carefully evaluates which branches of the mining industry and agriculture are most efficient for it, we shall achieve the optimum location of raw materials forces throughout the socialist camp and will draw from those sources which have the most favorable conditions and are closest to centers of consumption.

It is of course quite clear that under these conditions mining and agriculture in various countries will occupy various shares of the total national economy. Where raw materials can be produced more efficiently and in greater quantity mining and agriculture will have a larger share in the total volume of the national economy; the particular country will export more agricultural or mineral raw materials than it imports, and it will import more finished products than it exports.

In the brotherly collaboration among socialist countries each country has a great interest in the rapid economic development of all the other countries. There are many reasons for this. Even from the standpoint of immediate national interests each socialist country is interested in the success of the other countries, since on this success depends its supplies of necessary raw materials and industrial products and the market for its own raw materials and industrial products.

Soviet industry and the industry of certain industrially mature countries such as Czechoslovakia and the German Democratic Republic are a powerful base for the development of the productive forces of the other socialist countries, particularly those which embarked upon the path to socialism with underdeveloped productive forces.

For example, neither industrialization nor the mechanization of agriculture was thinkable in the Bulgarian People's Republic without the systematic and extensive aid of the highly industrialized socialist countries, principally the Soviet Union. A considerable portion of the large new factories in Bulgaria was supplied with equipment from the Soviet Union on credit. Similarly a large number of tractors for cooperative agriculture was sent on credit by the Soviet Union. No less significant is the fact that the Soviet Union, which takes the largest proportion of Bulgarian trade, along with certain other socialist countries, extends Bulgaria great opportunities for the development of foreign trade, which is necessary in the interest of this industrialization.

The socialist countries exchange technical documentation and experiences without payment. Naturally those socialist countries which have the least technical experience derive great advantage from this.

The aid which the stronger socialist countries and particularly the Soviet Union extend to the weaker countries exceeds the framework of ordinary economic collaboration. This aid is a direct expression of proletarian internationalism under current conditions. Just what are the interests of the Soviet Union as a state in these forms of unselfish aid which it extends to all the countries?

The aid which the Soviet Union extends to other countries is enormously significant for the consolidation and development of the socialist camp, for the consolidation of its forces, and for the struggle of the recently colonial nations for national freedom and independence.

Naturally there are revisionists who look at the matter from the standpoint of international prejudices and attempt to tip facts upside down, since they can see in each act no other motive than nationality. The unity of national and international interests is incomprehensible to them, they attempt to proclaim the international interests of the Soviet Union and the socialist countries as national interests, and attempt to confuse the two.

In speaking of the attacks which modern revisionism has made in recent years against the foundations of Marxism-Leninism we are not

speaking of subjective motives guiding the authors of this so-called "theory," but rather of the objective results which can follow from their activity if it is not unmasked and ideologically crushed in time. The results of their ideological attacks could be the destruction of the unity of the ranks of builders of socialism and Communism, a crushing of confidence and a negative attitude toward the first socialist country -- the USSR, which is the support and hope of progressive forces throughout the world. And this, as we know, is the goal toward which the most reactionary and most aggressive forces of the capitalist camp are striving. The modern revisionists have received loud praise for their activity from the enemies of peace and socialism. The fact that the representatives of modern revisionism have entered into a single rank with these people unmask their ideological-political and class tendencies.

As honorable patriots who are interested in maintaining peace throughout the world, we use all means of ideological battle against attempts to introduce discontent and conflict into our ranks.

For us, Bulgarian economists, the first task remains preserving the purity of Marxist-Leninist teaching. We will not permit the mud of revisionism to soil the brilliance of this doctrine, to blunt its class edge, and break its uncompromisingly revolutionary spirit.

In recent years economic collaboration among our countries has risen to a higher level. Characteristic of this period is the broader coordination of economic plans not only in commerce but also in production. Collaboration carried out through the Council of Economic Mutual Aid has already brought positive results. Through this coordination of economic plans the proportions of the national economies of the individual socialist countries have become gradually the proportions of the world socialist system. This direction of the development of collaboration among our countries charges our institutions with new tasks, gives to our economists still broader opportunities for joint scientific-research activity. A large number of problems concerning economic collaboration among our countries have thus become pressing and require theoretical clarification. Our meeting will undoubtedly contribute greatly to their proper solution. Among these problems there is great scientific interest in the question of the international division of labor among the countries of the socialist camp and in questions resulting from it.

Intensification of the international division of labor and thus also of economic collaboration among socialist countries is objectively inevitable, but it will not happen spontaneously. This collaboration, like the planned development of the economy of each individual socialist country, requires a large number of far-reaching measures.

Particularly important is the careful coordination of plans which the socialist countries work out for their long-range economic development. The purpose of this coordination is to achieve the most effective possible territorial distribution of productive forces within the

socialist camp. The problem of rational division of labor among the socialist countries is, of course, very complicated. In our opinion at the present stage of development of our relations it concerns primarily the further coordination of our plans in material production and the development of scientific bases for our mutual commercial relations, i.e., the further development and perfection of the price system among socialist countries.

Under present international conditions the production costs of various products in any particular country bear different relationships to international prices applicable for exports and imports. It is most advantageous for each country to export products whose production costs are, in comparison with those of other products, in the most favorable relationship to the international price, and to import products whose production costs are in the most unfavorable relationship to international prices.

If in such a country labor productivity is considerably higher than the average labor productivity of all countries participating in exchange, and if therefore within that country production costs of all types of goods or most of them are advantageous with respect to international prices, primarily those goods should be exported whose internal production costs are in the most favorable relationship to international prices and those goods should be imported which are also in the most favorable relationship. In such cases the general difference between the level of labor productivity in the particular country and the average level expressed in international prices is manifested primarily in the rate of exchange of the currency of the particular country or in its wage level and the level of state income. Thus in such cases plus or minus differences appear in individual types of goods. If each country with planned coordination specializes in individual branches according to the degree of its relative effectiveness for that country we may expect that within the entire socialist camp we shall achieve a fairly good distribution of productive forces.

It is increasingly urgent to create for trade among the socialist countries prices making up a consistent system corresponding to their socialist economy and, on the international scale, to expanding cooperation.

With prices formed on the basis of a socialist economy it is possible to avoid the influence of violent price fluctuations. Of course this does not mean that prices will be established once and for all, that a given level of labor productivity will be maintained forever. But there is a difference between prices changing spontaneously and depending on which products a capitalist economy requires on the one hand, and prices changing in harmony with increased labor productivity or depending on which products the socialist camp requires on the other hand.

The formation of such prices is of course very difficult.

Independently of technical or other difficulties occurring in the transition to socialist prices in foreign trade, the very development of the international division of labor in the socialist camp, the intensification of specialization and cooperation among socialist countries, and the foreign-trade policy of the capitalist countries toward the socialist countries require and will continue to require the most rapid possible formation of prices on a socialist base and still greater economic consolidation of the socialist camp.

Intensification of the international division of labor and specialization among the socialist countries, increasing their economic collaboration and the systematic brotherly aid which the large countries, and principally the Soviet Union, extend to the socialist countries according to need are a decisive indication of the great solidarity of the nations of the socialist camp.

The old world, in which each country developed in competition with other countries and at the expense of other countries, has been replaced by a new system in which the development of each individual country is unthinkable without development of all other countries. There has never in human history been, nor could there be, such profound solidarity among nations and such absolute unity as we see in our time. The brotherly solidarity among the socialist countries is an example of future solidarity of all humanity which has been dreamt of for thousands of years by the most enlightened minds.

The strength and unity of the socialist countries is the support not only of their development but also for the struggle of a large number of nonsocialist countries for national freedom and the opportunity to develop. The very existence of the socialist camp and of its powerful center, the Soviet Union, plays a decisive role in the struggle of the recent colonial nations for independence. The socialist camp consolidated about the Soviet Union is the bastion and example for the struggle of all progressive forces in the world.

The unity and solidarity of the socialist countries is thus, under present conditions, the highest manifestation of proletarian internationalism and a guarantee of its further great blossoming.

HUNGARIAN PEOPLE'S REPUBLIC

Göncöl

In our time two world economic systems face each other. This is the central fact of the period since the Second World War. This has given rise to the question of who will win, the question of economic competition between capitalism and socialism on a world scale.

A historical necessity is seen in this. The problem of who will win on a world scale arises as soon as the capitalist world economic system is faced not by a single socialist country but when other socialist countries gather about the first land of socialism and the slogan "Catch up and overtake" is no longer merely the slogan of the first country of socialism but of all socialist countries and the entire socialist world economic system with respect to the capitalist world economic system.

As a result of this historic change, this new historic situation, the problem of the international division of labor and economic collaboration, both practically and theoretically, takes on particular significance and urgency. It becomes one of the key questions of the peaceful competition of the two systems.

At this point I should like to raise certain important aspects of this question. From the standpoint of the development and consolidation of the socialist world economy, the development and intensification of economic collaboration on the basis of the international division of labor among the socialist countries is absolutely necessary. Here are inexhaustible reserves for the maximum development of the productive forces of the socialist world economy, and thus the key to the problem "Catch up and overtake" as well as to the question of who will win on a world scale.

This is the core of the matter. All other international economic relations among the socialist countries are subordinated to this main goal, i.e., the organization of international specialization and economic collaboration among the socialist countries.

This of course says nothing of the importance and the necessity of these other economic relations. It specifies only the sequence and qualitative difference. It is a conceptual delimitation of socialist international division of labor and a historic outlining of its goals.

Let us consider merely the example of the change in the economic relations of the Chinese People's Republic. Between China and Japan a stable international division of labor existed for a long time which was apparently the result of given economic-geographic and economic-historic conditions. These conditions appeared to the imperialists so "natural" that during the first world war the Japanese imperialists formulated them in 21 demands. These demands were then the basis of the agreement between the Japanese and American foreign ministers, the renowned Lansing-Ishi Treaty.

When the Japanese imperialists attacked China they justified it by saying that the Chinese boycotted Japanese textiles and that this type of interference with reasonable economic relations, this type of hindrance to the international division of labor, must be stopped. With a great expansionist program Japanese imperialism launched forth under the banner of the so-called East Asia economic society under Japanese aegis.

The victory of the Chinese revolution put a sudden end to these imperialist dreams and destroyed this type of international division of labor. The building of socialism in China required a radical change in the orientation of Chinese foreign trade as in all other economic foreign relations. The Chinese People's Republic is an inseparable part of the socialist world economy. The other face of this coin, the natural accompaniment of this historical change, is that Japanese and American claims for economic and political leadership have crumbled, that the mad plans for Japanese or American or Japanese-American hegemony in East Asia have been silenced once for all. The industrialization of China is becoming an increasingly important factor in the international division of labor and economic collaboration in East Asia.

This of course does not mean that the Chinese People's Republic has rejected normal economic relations with Japan. On the contrary, the government of the Chinese People's Republic has frequently expressed its desire to support energetically such relations.

It does mean, however, and with all certainty, that these relations are subordinated to the primary goals of socialist industrialization, and that under no circumstances must they hinder the continued functioning of the socialist international division of labor.

I have said all this merely as an example to support and illustrate a theoretical point which in my opinion is always underestimated.

To understand international division of labor "as such," to understand the international division of labor "generally," leads in my opinion to a theoretical cul de sac, since in this manner the international division of labor is grasped abstractly as a so-called suprahistorical category which in this view is merely manifested or concretized at various times and under various production conditions in various forms.

According to this excessively simplified view, as soon as foreign trade existed somewhere and as soon as there were international economic relations, this meant that there was an international division of labor.

Marx considered this question quite differently. For Marx the international division of labor is basically a historical category which systematically appears first with capitalism and whose basic merit is that the historic struggle of capitalism was victorious. For precisely in this manner capital fulfilled its historic mission of socializing labor on a world scale, of developing productive forces on a world scale.

A basic feature of the developed division of labor in world economy is the fact that it is a necessary condition for expanded production for those countries which are a part of the world economy.

Under capitalism there is an antagonistic conflict between the national conditions of expanded production of each country which has become a part of the world economy, and of the conditions of international expanded production. Nevertheless, the continued functioning of the world economic system is dependent on the unity of both these factors. A temporary breakdown of this unity between international conditions of expanded production in capitalist countries and the conditions of expanded production on a world scale can be observed during great world economic crises. A necessary condition for the developed international division of labor and for the interweaving of the world economy is, for example, expanded production of any particular country so that its exports achieve a certain level. In time of crisis this is doubtful or impossible. On the other hand expanded production of individual countries is a necessary condition for the development of the world economy, of expanded production on a world scale. But a crisis makes impossible precisely this condition of expanded production of the world economy.

The fact that during a world economic crisis the market problem becomes more difficult has an unfortunate outcome: the stagnation of production and world commerce exacerbate one another until at the bottom point of the crisis a new unstable equilibrium is established between world production and world trade.

But all of this indicates -- and I should like particularly to emphasize this -- that under capitalism the organic unity of the world economy is unstable and filled with antagonistic conflicts. This leads to international anarchy in production.

In the socialist system of world economy there are nonantagonistic conflicts between the entire socialist world economy and its elements. The nonantagonistic conflict between the national conditions of expanded production in the socialist countries and the conditions of expanded production of the socialist world economy is an important feature of the entire transition period, even though it diminishes constantly as the methods of economic collaboration improve. The economically useful acquisition of numerous necessary material elements of expanded production by means of importation can frequently encounter difficulties. On the other hand it may be that increased production or expanded capacity necessary or desirable from the standpoint of the socialist world economy is not equally desirable at the given moment from the standpoint of the participating country in which the production is to increase or the capacity to expand. Here the Council of Economic Mutual Aid may intervene, whether by making a contribution to investments or by other measures.

From the foregoing the following conclusions result:

1. That the conflict between the entire world socialist economy and its individual members is not antagonistic.

2. That the socialist world economy must be organized as an organic unit from the very beginning.

I do not wish to state that we have discovered the most convenient methods of collaboration in the socialist world economy and that we are applying them. Nor do I wish to state that we have a clear idea of the basic principles of organizing the world socialist economy and that we have worked out these principles.

This remains the job of the best economists of the socialist world. We are awaiting their solution.

POLISH PEOPLE'S REPUBLIC

Z. Wyrozebski

We are all agreed that we are facing a very important historic task -- to catch up to and overtake the capitalist world system in volume of production in a short time. We are all agreed that the realization of this goal requires close collaboration among the countries of the socialist camp.

The question remains: how to combine close economic collaboration of our countries with world division of labor, with the world market? I must say that when we speak of the world market or of the world economy we often forget that the capitalist world market is not a unified organism but that it contains two tendencies. One tendency leads to integration and the other to disintegration. At a certain period one tendency predominated, at another time, the other. Before the beginning of the twentieth century, when there was free movement of capital and goods among capitalist countries, one could speak (of course not in absolute terms) of a short of world capitalist market. But during the period of imperialism, when protectionism develops and there is a struggle among monopolies, there is no longer a unified world market.

We may say that in recent years we can observe a sort of tendency to integration in the world economic system, although that integration is occurring in a typically capitalist fashion. It is integration in which the stronger always predominate and profit. This integration, however, is not a rational international division of labor. If we were to imagine a sort of central planning commission examining the division of labor among capitalist countries, that commission would surely conclude that the division of labor among capitalist countries is irrational. I am not speaking of immature countries, colonial countries, which are subordinated to the imperialist countries in the international division of labor, although this is in conflict with their interests. All of this is understandable. The division of labor among imperialist countries, however, is also irrational. It could not be otherwise. It is not difficult to find the reason for this. It lies in the fact that the imperialists of the capitalist countries want to unite in the struggle against the world socialist system.

It cannot be said, of course, that there are no natural causes for this tendency. At the present level of development of technology and economy it is understandable that the tendency to integration among various countries is quite natural. To me this process appears to be progressive in a certain sense, since the concentration of capital is a progressive process. Since, however, capital is concentrated at the expense of the working masses, integration means profit for the

strongest imperialist countries at the expense of the weak capitalist and colonial countries throughout the capitalist world, profit for the USA and in Europe profit for the strongest countries. This is not surprising. But we are interested in another question. Does partial integration hamper the development of world economic relations? I believe that insofar as integration results from natural causes, i .e, when it results from the division of labor among individual economic organisms and is based on mutual profit, it does not hamper the development of mutual economic relations. Under certain conditions it can even be favorable to this development.

As an example we may mention the collaboration of the Scandinavian countries. These countries have certain natural bases for the existence and development of collaboration. This collaboration is not intended to limit economic contacts between the Scandinavian and other countries. If that collaboration helps the development of these countries then their trade with the rest of the world will increase.

The economic integration of the countries belonging to the world socialist economic system results from the economic nature of these countries and is based on mutual profit. The social ownership of the means of production in these countries and the system of central planning built upon it, the rapid and approximately equal rate of growth of the national income, mutual brotherly relations based on socialist principles, a common goal, and the fact that no antagonistic conflicts exist among these states, not only mean that economic collaboration must be undertaken among these countries and the division of labor carefully directed between them, but it also creates very favorable conditions for the realization of this necessity.

The result is the accelerated economic development of the individual countries and an annual increase in the exchange of goods among them.

Is this meant to imply that the exchange of goods with the world capitalist system decreases? Absolutely not. If the capitalist countries had not created artificial barriers against the exchange of goods with the socialist countries, the exchange of goods between individual socialist and individual capitalist countries and between the socialist world system and the capitalist world system would increase.

I believe that this question is very important. It is very important for the overall situation and for our socialist system.

Revisionism contains various elements, revisionism is manifested in various regions. I myself believe that the main danger of revisionism lies in the fact that it is a centrifugal force which breaks down socialist collaboration among our countries. I do not know the logic on which the Yugoslav comrades build their conclusions. Perhaps it is merely a mistake. Or perhaps they have another reason for their views? Whatever it is, it is very easy to answer their arguments.

I believe that integration, very close collaboration among the countries of the socialist system, is not in conflict with the development of the world circulation of goods, with the development of our economic relations with the capitalist world. This is a very important point.

In his speech Comrade Kaigl very properly emphasized that we must devote more attention to collaboration in production than to collaboration in the exchange of goods.

Our collaboration of course is developing successfully, the circulation of goods between socialist countries is increasing every year, and I believe that this exchange of goods and economic collaboration will continue to grow. But I also believe, with the comrades who have spoken here, that it is time for this collaboration to become closer and that it involve coordination, particularly the coordination of long-range plans while we lag somewhat in collaboration on commerce.

I should like to give an example. We have now compiled a proposed long-range plan for 1960-1965. This proposal aroused discussion on various points. I should like to discuss one point here, that the bottleneck of our development is foreign trade which is not able to meet our raw-material requirement.

The comrades in our institute are of the opinion that until our plan is coordinated with the other socialist countries, particularly with the Soviet Union, we will not be able to exceed a certain limit placed upon our development.

This is of course a very complicated question. We are well aware that our entire system suffers from a lack of raw materials. The rate of development of our industry is so great that the previous pace of development of raw-material production is unsatisfactory. How to solve this question? Here we see the international division of labor, the effectiveness of the division of labor. We must invest more in the raw materials industry. Where should we invest our resources so that we can produce more and at less expense? After today's discussion I believe that we should set up some sort of international organ to coordinate long-range and current plans. Simple reason dictates the need of such an organ. I believe that this idea must sooner or later be carried out.

There is a difference, however, between planning in an individual country and the coordination of planning in an entire system. For example, if a country plans and carries out its plans it is responsible for its own acts. These problems are solved in central organs, in the workers' and Communist parties, and in government, and these organs and their nations are responsible for the solutions. The governments and central organs have means to realize their plans.

The situation is different in the coordination of plans among individual nations. This is a more complicated problem. I believe that here theory must prevail over practice. This is more complicated than planning and realization of plans within each country, and therefore

theoreticians, on the basis of practice and generalization, must make certain proposals here which can be discussed and adopted by all nations. Here we must proceed more carefully, and theory is very necessary here even at the present time. Hitherto this theory has not been developed because it was not needed. The Soviet Union was isolated, our socialist system was too young, and we first had to solve more pressing problems. Now our system is so consolidated that we have certain experience and materials which we can generalize and on whose basis we may make forecasts.

Everyone knows that in this field our theory lags behind life. Let us take the main question -- the question of the international division of labor. What is international division of labor? We have heard reports today by Comrade Kaigl and the speech by the German Comrade Kohlmei and we have seen that in the very definition of this basic question there are certain conflicts.

Let us take the definition of Comrade Kaigl, who said in his report: "The socialist division of labor should be understood as a developing, perfecting, historical process resulting from a certain concrete level of economies of those countries which today make up the socialist camp, as well as from their connection in the international division of labor at the time when the world socialist system appeared. Here we are clearly discussing the rational organization of production in a world socialist system..." etc.

Can we be satisfied with this definition, Comrades? We do not know what the international division of labor is.

Comrade Kohlmei gave another definition.

We more or less understand what the division of labor means within a country because this problem was discussed by Karl Marx. Karl Marx taught that the concept of social division of labor means the division of living and social labor in proportion to a certain quantity of certain consumer goods and producer goods.

We still have no answer to the question of what the international division of labor is; therefore it is a most important problem both theoretically and practically.

Comrade Kaigl said that our goal is not the international division of labor. This is correct. The division of labor is naturally only a tool for reaching our goal. But how are we to carry out the international division of labor in order to achieve this goal? Comrade Kaigl suggests taking into account the different level of development of the socialist countries.

Firstly I must say that something is missing here, so to speak, and I believe that Comrade Kohlmei also believes that in the definition of immature socialist countries something remains unspoken. We may say that the question is posed here in such a manner as to give a certain preponderance to the mature countries.

Comrade Kaigl is of course quite right when he says that this division of labor must be grasped as a developing, continually perfecting historical process. Later, however, his conclusions arouse certain

doubts. Comrade Kaigl goes on to say that the criterion for the division of labor is labor productivity. But previously Comrade Kaigl said that the division of labor must be rational, whereas now he says that it must be optimal. What is a rational division of labor? What is an optimal division of labor? There is no answer to these questions here; they must be worked on for after all they are the basis of the entire problem.

I believe that the esteemed Comrade Kaigl in his very good and very interesting report dealt with this problem somewhat abstractly and a bit generally. What does that mean? That means that we do not know what to do if a certain socialist country does not have a certain industry or does not have a very mature industry and labor productivity in that country is low. But is it necessary to develop the economy and the industry where the highest level of labor productivity has already been achieved? This is of course a very complicated question. Our theory does not give us an answer to it. I cannot answer these questions here; I merely wanted to emphasize the shortcomings of our theory.

What elements must be taken into account in developing the international division of labor? I believe that in establishing the paths and the direction which this development must take in various countries we must take the following into account:

1. Whether the country is small or large because we must proceed differently in determining the path to be taken by development for a country like Albania and a country like China.

2. The present level of development of the industry and agriculture of each country must be taken into account.

3. The natural resources and skilled labor and the level of capacity for the development of this labor must be taken into account.

4. A very important question must also be considered: a comparison of natural resources and prospects for the development of manpower; the two must be compared with the accumulation fund. The nature and type of investment must, it seems to me, follow from this mutual relationship of manpower and the capacity for accumulation and investment.

I agree with Comrade Kohlmei who said that time must also be considered. Time must be taken into account if we are to determine the effectiveness of our investments in various countries.

Thus those are the elements of the international division of labor. What criteria must we use for the international division of labor?

I should like to say that our science gives no answer to the question of what criteria should be considered here. General considerations are not sufficient either. If we say that we must consider a concrete condition, this is practicalism.

Theory here must solve theoretical questions on the basis of practice.

We could say that we must use the criteria which are used in locating industry and agriculture within a single country. It is necessary only to look clearly and carefully at concrete historical conditions in which the sovereign socialist countries were born and live. This is correct. In addition, if we do not understand sovereignty abstractly but rather concretely we cannot forget that the sovereignty of socialist countries is based on the economic power of the entire socialist camp.

I believe that we must discuss the question carefully which has been raised today by some comrades -- the question of the unity of interests of individual countries in the socialist camp, the defense of the interests of the entire socialist system. Bourgeois theory proclaims the theory of equilibrium of interests, etc. We know that insofar as capitalist countries are concerned this is a lie. In relations among socialist countries, however, this is true.

There are of course conflicts among individual countries and common interests of the world socialist system; however, as the comrades have already said, those are nonantagonistic conflicts which must be solved on the basis of internationalism and mutual profit.

However, even if we are able to solve these conflicts in collaboration we shall not be able to use the principle of division of labor which is used in locating industry and economy in individual countries. It would of course be good if an ideal criterion existed, but there is, in my opinion, some difference.

The difference lies in the fact that in locating installations within a country there is a single accumulation fund for the entire country. Here, however, where there are individual organisms and individual accumulation funds we may say that there exists something like *khozraschet* for individual countries. This is of course a more complicated question.

Large countries must naturally develop in all ways, but we must take into account time. We must be aware of what must receive emphasis at the given moment.

If a large country has large natural resources it would seem to be useful to develop the raw-materials base rapidly on the basis of the highest level of technology not only for that nation but for the other countries which are supplying the first nation with machinery and other tools. This will make it possible for the large country to develop its industry in all directions and simultaneously to be an element promoting the development of the economies of other countries as well.

Regarding small countries, I believe that they need not be a miniature of large countries. The primary condition is of course that the small country develop its economy on the basis of the highest modern techniques. The small country, however, must specialize in those branches of industry in which it can be most effective.

I may mention by way of example Denmark, in which industry is underdeveloped but agriculture has reached a high level of development.

I do not intend here to answer the question of what criteria are necessary for the international division of labor. I would only like to point out to the comrades that this question cannot be understood in a general manner. In my opinion we need here not only qualitative but also quantitative analysis.

In his report Comrade Kaigl said that in the socialist method of production the purpose of production is useful value, i.e., the satisfaction of needs, whereas financial value is subordinate although not entirely suppressed.

I believe that this point is not entirely correct. I believe that Comrade Kaigl in his report was self-contradictory. If he says that the criterion for the development of labor is labor productivity, then he says that the criterion is value, since we know that labor productivity is inversely proportional to value.

I believe that there is a misunderstanding here. This point was historically justified in the first period when the Soviet Union had to solve the problem of building a material base for socialism, when the problem of value was suppressed, when the question of useful value was, and quite rightly so, a sort of primary problem.

Now, however, in my opinion the situation is somewhat different. I believe that there is a sort of dialectic unity between useful value and value. The problem is to produce the maximum quantity of useful value with the minimum expenditure of labor.

In my opinion it is not possible to separate these two aspects, for if you write that consumption value is most important then your point concerning labor productivity as a criterion is no longer important. There is some truth here but I myself have quite a different opinion, that under capitalism the purpose of production is value, profit, whereas the goal of socialist production is not profit. Firstly we are discussing here the establishment of the effectiveness of the international division of labor among socialist countries, both in the general interest and in the interest of each country.

Secondly there is a problem here of the proper exchange of goods among individual countries.

I should like to mention here the problem of prices according to which foreign-trade transactions are conducted among our countries. I believe that the adoption of the prices of the capitalist world market as the basis of our prices would be useful at a certain period of development of the socialist world system.

I believe, however, that a time will come when adoption of the prices of the capitalist market as a basis of our agreements will hamper further collaboration among our countries. Perhaps that time has already arrived, but in any case I believe it will come.

I think that Comrade Kaigl was quite right when in his report he mentioned this problem. This is a very interesting phenomenon.

In Poland, where there has recently been discussion concerning reform of the price system, some economists of the Economic Council have recommended that prices of raw materials which are exchanged between Poland and other countries be based on prices in the world market. This means that these world-market prices should be taken as the basis of our internal prices. The comrades from our Institute had justified objections to this. In my opinion this is nonsense -- development must take a completely different direction.

I do not intend to go so far, however, as Comrade Kaigl, to say that someday the prices of our socialist system will be taken as the basis of world-market prices. I believe that this problem cannot be solved merely by discussion. In my opinion a certain amount of concrete analysis is necessary.

Firstly I should like to ask what are the prices of the world market? We are quite familiar with this question, but when there is discussion we forget the fact that world-market prices are not those formed under the influence of some sort of competition. Most world-market prices are established by monopolies.

These prices are highly variable, particularly the prices of raw materials which are the main commodity of world trade. They change radically, depending on market fluctuations. How can we take such prices as the basis of our agreement?

I must say, of course, that previously this was necessary. When we began to trade we had no other starting point and therefore we had to take what existed although in my opinion even today this situation is no longer tenable. We face much more important tasks than the question of the preponderance of our prices on the world market.

We are facing the task of increasing the effectiveness of production among our countries.

I do not know what my comrades think, but I myself believe that this problem cannot be solved without the formation of a unified price system within our countries. I must say that the present situation lacks a great deal in this respect.

What should be done?

I believe that there is a very important job here for economists. There is in theory, a great deal of work here. It is, of course, necessary to have some idea of future development. In my opinion in the future the prices of goods traded among our countries must be based on average production costs of all our countries plus a certain accumulation percentage. The very computation of such prices would be very useful for solving problems of the international division of labor. I understand that this question is very important and complex and that the adoption of such a principle would be temporarily disadvantageous for some countries. I believe, however, that it would be possible to set up a fund from which the losses of these countries could be reimbursed.

In general I believe that sooner or later it would be necessary to set up a special international organ which will deal with the problem of prices in international trade among socialist countries.

I have mentioned here only certain questions concerning the subject which interests us.

I believe that this conference will fulfill its task if it inspires profound reexamination of the theoretical and practical problems of international division of labor.

I feel also that our countries are facing joint tasks in whose solutions economists will play an unusually large role. As I have already said theory must precede practice in this area.

Here the work of economists can be very useful for accelerating the pace and helping us to catch up to and overtake the production of the capitalist world.

I am convinced that this conference will not be without profit.

CHINESE PEOPLE'S REPUBLIC

Jung Lung-kuei

On the basis of a unified ideology and of the same fighting goal, brotherly collaboration is being organized among the countries of the socialist camp such as has not been known in human history. This economic collaboration is a completely new type of relation among nations. In the last few years economic collaboration among the countries of the socialist camp has developed considerably on the basis of proletarian internationalism. This economic collaboration has made a great contribution to the overall development of the economies of all the countries of the socialist camp. Economic collaboration among the countries of the socialist camp is based on "the principles of complete equality, mutual respect of national interests, and socialist mutual aid." These principles were properly emphasized by the communique of the Council of Representatives of Communist and Workers' Parties of the Member States of the Council of Economic Mutual Aid held in May 1958. In addition the communique stated that "this collaboration helps building socialism and Communism and makes possible the maximum utilization of the advantages of the world socialist economic system for the development of productive forces in each country belonging to that system and the consolidation of the economic force of the entire socialist camp." Further consolidation and expansion of this collaboration is therefore the common wish and the common goal of all countries of the socialist camp.

After the creation of New China our country undertook brotherly economic contacts with all the countries of the socialist camp under the leadership of the Soviet Union. These contacts have developed day by day. In the past nine years the brotherly socialist countries, particularly the Soviet Union, have extended to our country enormous unselfish brotherly aid in the form of loans, the development of our trade, gifts of complete factory equipment and technical documentation, specialists who were sent to us; and scientific-technical and cultural collaboration has been undertaken. All of this has had unusually great significance for the reconstruction of our economy and for the successful fulfillment of our first Five-Year Plan for the development of the national economy, and has thus made possible our present great leap forward in industrial and agricultural production.

During the successful fulfillment of the first Five-Year Plan we completed the socialist transformation of the individual peasant economy, the individual artisan economy, and private capitalist industry and trade as regards the ownership of the means of production. Thus the bases of socialist industrialization were laid down in our country. Under the brilliant rays of the general line -- recruit all forces for the journey forward, build socialism more intensively, more

rapidly, better, and more efficiently -- outlined by the Central Committee of the Party and its chairman Mao Tse-tung, a movement developed in China for a better style of work and a movement for the struggle against right-wing elements. As a result today a general leap forward can be seen in our country both in politics and in economics and culture. In all our villages the establishment of people's communes is essentially completed. The grain harvest is double that of last year. The mass movement starting for the development of industry by the efforts of all the people, directed primarily toward steel production, contributes not only to doubling steel and pig-iron production over that of last year but also to the rapid increase in the pace of all industrial production.

Now our people have adopted as their main goal, on the basis of previous victories, the effort for new and still greater success and the recruitment of all their forces to overcome all difficulties. In our country we must rapidly develop productive forces, we must gradually industrialize the whole country, industrialize the people's communes, and also base agriculture on industry. We must continue in the cultural and technical revolution, to end our cultural and technical backwardness, so that in these two fields we can achieve the highest possible standards and make of our country a socialist world power with modern industry, modern agriculture, and modern culture.

Naturally every step forward and every success in building socialism in our country is absolutely inseparable from the general unselfish brotherly aid which has been extended to us by the countries of the socialist camp under the leadership of the Soviet Union. The Chinese people have expressed their heartfelt thanks to these countries and will vigorously learn from all the good experience which the brotherly lands of the socialist camp under the leadership of the Soviet Union have acquired in developing their economies, so that they may successfully fulfill the glorious constructive goals of socialism in our country in the shortest possible time.

In the field of economic construction we strictly maintain this principle: With the brotherly aid of the Soviet Union to mobilize all active elements, mobilize all internal resources of the national economy, and thus build socialism. It is well-known that the central committee of our party, based on the general truths of Marxism-Leninism and the experience in building socialism in the USSR, in harmony with the concrete conditions of our country, has worked out a general line for building socialism according to the principle "more, quicker, better, and more efficiently." The general line emphasizes primarily these two aspects: "Give priority to the development of heavy industry, develop industry and agriculture simultaneously. With centralized management, general planning, the division of labor, and a cooperative movement develop both centrally managed industry and local industry, develop large, medium, and small enterprises simultaneously." At the same time local methods and progressive methods

must be examined in politics and technology. In this way it will be possible fully to mobilize the initiative and creative capacity of the people throughout the country, to mobilize fully all active elements and utilize all favorable conditions to achieve the maximum indexes and the fastest pace of development which is possible with the exertion of all effort. Thus we shall be able to build a socialist regime more rapidly, better, and more efficiently.

Previous practice has shown us that in executing this course, if we give priority to the development of heavy industry, it will be possible to harmonize the two main branches of material production, industry and agriculture, and thus contribute to their rapid and coordinated development. At the same time it will be necessary for these branches to support one another and collaborate, since only thus will it be possible to develop the entire national economy. Thus, immediately after executing socialist transformation of the ownership of the means of production, this course will make it possible for us to carry out the line of the masses, to confide in the masses, to rely on them, and, with centralized management on all fronts of building the national economy, to develop the mass movement broadly and give full support to personal activity of the popular masses. Thus we shall be able as never before to increase the pace of development of the productive forces of society. It must be stated that, precisely because industry and agriculture are developing simultaneously in our country and the internal market is expanding, we can successfully coordinate the exchange of industrial and agricultural products and products of groups I and II. We believe that on the basis of the internal market and with the further development of the national economy there will be a natural tendency for the expansion of international commercial contacts, and there will be still more extensive mutual collaboration among countries and international division of labor in the production of individual types of goods according to the concrete conditions of each country so as to achieve the general development of all socialist countries.

Ever since the creation of New China we have believed that strengthening the solidarity of all countries of the socialist camp, under the leadership of the USSR, is our most important international obligation. We shall never abandon the principle of proletarian internationalism. Depending on how rapidly the national economy develops in our country, we shall also actively participate in economic collaboration with the socialist countries, and will use proper forms and measures, depending on the concrete situation in our country, for consolidating this economic collaboration.

In recent years economic collaboration between our country and the brotherly countries has actually developed considerably. In the interests of planned economic collaboration we have already signed long-term trade agreements with Bulgaria for 1957-1960, and with Poland, Hungary, Rumania, and Korea for 1959-1960. At the same time we are actively preparing to sign long-term commercial agreements with

the USSR, the GDR, and Czechoslovakia. In this respect we shall continue to develop commercial relations according to the principles of active collaboration, equality, and mutual advantage based on the needs and opportunities of both parties, so that we can help coordinate production and uncover reserves, contribute to mutual aid and the general rapid development of the economy on the basis of the maximum utilization of all opportunities in all countries of the socialist camp.

Of course mutual economic aid among the countries of the socialist camp differs basically from so-called "aid" by the imperialists to foreign countries. Even the economic aid which the socialist countries are now extending to the nationalistic countries so that they may develop their national economies differs from the so-called economic aid of the imperialist states to foreign countries.

It is quite clear that different social orders also have different foreign economic relations.

The imperialists must constantly distort their "aid" in order to conceal its secret purposes and deceive public opinion.

But in a secret letter which President Eisenhower wrote in January 1956 to the oil magnate Rockefeller he said "We will begin with trade and end with war." This reveals the true face of the policy of US economic expansion.

At the beginning of 1957 the US International Cooperation Administration issued a brochure entitled "The Effect of Foreign Aid on the US Economy" in which it also admitted that "American aid" is actually aid to America. During these years many countries helped by America have undergone great difficulties, and in almost all of these countries the economy is in a very delicate condition.

But we have no illusions about the so-called "aid" extended by the imperialist countries. American imperialism has conducted a thoroughly inimical policy toward us ever since the foundation of New China. Imperialist America together with the other imperialist countries is carrying out a policy of blockade and embargo against China in the effort to destroy young New China economically. But the wishes of the imperialists have not been fulfilled and we have made the best of a bad thing. The blockade and embargo have helped the successful development of our country according to the principle of utilizing our own resources with the aid of the brotherly countries in the largest possible degree. At the same time our economy is developing at a very rapid pace. The list of goods taken off the embargo list has now grown, which is the best evidence of the failure of the embargo policy.

In contrast to our view, the Yugoslav revisionists have always slandered the economic contacts of the socialist countries, have attempted to soil the policies of the socialist countries as regards extension of aid to foreign countries, and have also attempted to distort the policy of expansion and so-called "aid" of the imperialists, particularly the Americans. It is clear to all whose position the Yugoslav revisionists are occupying and for whom they speak.

There are countries in the world which call themselves "socialist." On the one hand they slander economic aid of the socialist countries as "exploitation" of small nations by large, and howl in anger against the economic relations among the countries of the socialist camp. On the other hand they praise imperialist "aid." They say that they have good relations with USA and that these relations can be improved still further while respecting mutual equality and the true value of "mutual advantage." But can such a country really be called socialist?

The fact is that, after long aid which Yugoslavia has received from the USA, its national economy has in many respects returned to capitalism. It is quite clear that the Yugoslav revisionists justify this in various ways, so that they may thank the imperialists, particularly the Americans, and so that they may undermine the solidarity of the international Communist movement. The Yugoslav revisionists have already betrayed all the principles of Marxism-Leninism, and have become renegades to the international working class. But like all the aggressive politicians of the American imperialists they have achieved the opposite of what they wanted. Today the Yugoslav revisionists have achieved the opposite of what they wanted by secret agreements that in the international Communist movement they will raise the white banner of revisionism. The leading Yugoslavs, as soon as they revealed their true face as renegades of the working class, were unmasked as frauds in the international Communist movement. The Communist parties in all countries in the world are intensifying their ideological work and fighting readiness in the struggle against revisionism and have consolidated their internal and mutual unity.

The present epoch can be characterized by the slogan: "The east wind is stronger than the west wind." The economies of all the countries of the socialist camp are continually developing in leaps as the eastern sun rises to the zenith. The recently published proposal of the grandiose plan for the development of the national economy of the USSR for 1959-1965 reveals to the entire world the prospect of an unheard of blossoming of the economy of the USSR, and assures the Soviet people of the most beautiful life in the world. This grandiose plan in its unusual scale, rapid pace of development, decision to be victorious over imperialism in world competition, and its gigantic steps forward toward a Communist society met with joyous enthusiasm throughout the entire socialist camp and among all progressive people in the world, and caused confusion and vacillation among the imperialists and all reactionaries. The facts have already shown the incomparable advantages and viability of the socialist economic system. But what is the situation in the imperialist countries? The economies of these countries have repeatedly collapsed -- like the sun setting in the west -- into periodic crises of overproduction. The victory of socialism over capitalism in peaceful competition is an unchangeable tendency of history; this victory is

not far off. Under such conditions it is necessary to examine how further to develop mutual collaboration among the socialist countries and how to assure the general rapid development of the national economies in all the countries of the socialist camp. This is the most important and most outstanding task of our economists.

ALBANIAN PEOPLE'S REPUBLIC

H. Mara

Comrades! Although we have not devoted special attention to the international socialist division of labor, permit me in the spirit of discussion to communicate some of my opinions.

We recognize the correctness of the theoretical points concerning economic relations among the countries of the socialist camp contained in the joint Declaration of the Moscow Meeting of Communist and Workers Parties of November 1957. We must begin here if we want to examine the questions discussed in this meeting. This is the only guarantee that we will take the proper course, which we might otherwise lose sight of.

In this declaration it is emphasized that human society has now entered a developmental stage in which the transition to socialism is characteristic and decisive. The building of a socialist and Communist society is no longer an isolated process occurring in one country alone, but is a common, directed stream involving more than one half of all humanity. Against this stream stands the old capitalist world.

It is thus clear that today there are two opposite social-economic systems in the world: capitalist and socialist. The socialist world system can be victorious over the capitalist system only if it unites all its economic, political, and ideological forces, on Marxist-Leninist principles, in a single whole and uses them to solve the historic tasks, i.e., achieving preponderance over capitalism in the sphere of material production in the shortest possible time. The achievement of this goal requires the contribution of each country of the world socialist system according to its abilities. On the other hand, it is quite clear that this goal will be solved only if the pace of development of each individual socialist country and of the entire socialist camp is increased. Under these conditions economic collaboration and mutual brotherly economic aid of the socialist countries is an objective historical necessity.

All revisionists, particularly the Yugoslavs, attempt to deny, distort, and slander this fact, particularly the planned active economic collaboration among socialist countries, and brotherly mutual aid among them, which is a characteristic feature of socialist internationalism.

The fact that the Yugoslav revisionists deny the close and planned economic collaboration among socialist countries is associated with the fact that they deny even the existence of the socialist world system and "are worried" about the formation of a unified world economy. The Yugoslav revisionists are ready to acknowledge only two possibilities: either there will be an integration of the world economy and then the socialist countries must give up their planned economic collaboration and brotherly mutual aid, or there will be no integration and the world will continue divided.

I shall not dwell particularly on this point because I basically agree with the views expressed by Comrade Kaigl. In connection with his report I should like to emphasize only this aspect of the question: in reality there exists an objective world economy as a whole made up of two opposite social-economic systems, the capitalist and the socialist. The connection between these two systems is limited commercial contact. Our countries are continually exerting all their efforts to expand these commercial contacts. At the same time we must emphasize and proclaim clearly that if these commercial contacts are expanded to the maximum the socialist countries will never give up their ever-closer economic collaboration, mutual brotherly aid, and planned coordination of the development of their economy. The Yugoslav revisionists cannot afford illusions concerning the integration of the world economy. The socialist countries will never give up their great advantages which they have achieved in economic relations by the application of Marxist-Leninist principles.

We must also dwell on that point in Comrade Kaigl's report in which he says that the world capitalist system affects the nature of economic relations, production relations, in the socialist countries. If there is a certain influence here we must be well aware what the influence is and what its purpose is. This is necessary particularly so that we will not use this influence to explain all difficulties and changes in the development of our countries or so that we will not make wrong conclusions, and so that this influence under certain conditions will not affect the nature of production relations in the socialist countries.

Another way in which the Yugoslav revisionists distort and slander the true nature of economic relations among socialist countries is their belief that in relations among socialist countries there is inequality manifested in "the effort of the Soviet Union to exploit the economically underdeveloped socialist countries".

But the economic development of all the socialist countries and their historical successes are a convincing proof of the correctness and viability of Marxist-Leninist principles in economic relations among the socialist countries, and also refute the views of the Yugoslav revisionists.

In this connection permit me to dwell briefly on the economic contacts which Albania has developed with the other socialist countries.

It is well known that before the Second World War Albania was drawn into the world capitalist system and comprised a part of it. On the basis of the economic relations which the imperialist powers forced upon Albania it became a semicolonial country, a typical agrarian and raw-material appendage of the capitalist countries which cruelly exploited this land.

Naturally under such conditions it would be absurd to imagine that Albania could voluntarily share in the international capitalist division of labor in a manner corresponding to the structure of

international economy and economic conditions. On the contrary, the role assigned to Albania in the world capitalist system was the result of the working of the economic laws of capitalism and the policy of the imperialist monopolies toward all underdeveloped countries.

Not until Albania developed a lasting friendship with the socialist countries did it find itself on the one proper path to rapid and general development of its economy and could it create a national economy whose structure corresponds fully to the interests of the people and permits a systematic increase in their well-being.

In the development of the national economy in the shaping of its structure corresponding to the material human and financial capacities of the country an extraordinarily important and decisive role is played by the brotherly and unselfish aid which Albania has been receiving from the Soviet Union and other people's democracies. Without this aid the Albanian people could not even dream of all the truly enormous historical victories which they have achieved in all branches of their social activity, particularly in the development of industry and agriculture. They could not even dream of the building of socialism in their country. Only because this aid was given to us and because all our people exerted heroic efforts could Albania in a very short time change from a backward agrarian country into an agrarian-industrial country and, in the near future, -- in 1965 -- it will develop into an industrial-agrarian country. In 1958 total industrial output exceeded eight times the prewar level.

The fact that the Soviet Union made it possible for Albania, by its aid, to build up and develop a modern socialist industry is an example without historic parallel. It has never before happened that a strong industrial power such as the Soviet Union has helped a small country to build up and develop its own industry and to move forward under its own power. In relations among capitalist countries this could never have happened. This can happen only in relations among socialist countries which are governed by Marxist-Leninism principles in their economic relations.

The Yugoslav revisionists make a great deal of the fact that it is "necessary to defend" the independence of one's own country and of the other socialist countries against some sort of imagined threat of Soviet hegemony. In actuality the Yugoslav revisionists, by their simple-minded concern with "defense" of the independence of the country against the imaginary threat of Soviet hegemony, attempt to conceal the actual effort to exploit the other countries on the example of imperialist countries. This is shown clearly by the nature of economic relations which existed between Albania and Yugoslavia before June 1948.

After /sic/ the liberation of our country our economy was destroyed by war and by the Fascist occupiers. Therefore the Albanian people would have been unable by their own efforts to meet the great difficulties associated with restoring the economy were it not for the aid of the

other people's democracies, particularly the Soviet Union. The party and government at that time believed that Albania would also receive help from Yugoslavia. And since there was a people's democratic regime and people's regime in Yugoslavia Albania turned to that country with a request for aid as it did to all the other people's democracies.

After economic relations had been established between Albania and Yugoslavia the Yugoslav revisionists forced a number of enslaving economic agreements on Albania for the execution of measures in the realization of economic relations which essentially differed in no way from the economic relations of imperialist countries toward colonial or semicolonial lands. They forced our country to introduce a parity financial unit. Although parity currency was introduced under the pressure of the Yugoslav revisionists, our party always believed that it would be only formal, since in order for it to be actually used the two countries would have to have the same living standard, same wages for all workers, etc. In actuality none of these conditions existed. In connection with the introduction of parity currency there was a question of the mutual relationship of the Albanian and Yugoslav currency. And here again, under pressure, our currency was devaluated in relation to the Yugoslav currency.

In addition to the parity financial unit the Yugoslav revisionists also demanded the unification of prices, i.e., the establishment of unified prices for the same types of goods in the two countries. In solving this problem, however, various questions arose, such as the lower organic structure of the basic funds in Albanian industry, the unequal labor productivity in both industry and agriculture, and a number of similar questions. All of this indicated that the unification of prices would be impossible. The Yugoslav revisionists nevertheless insisted on this and proposed that the price differences, which were higher in Albania than in Yugoslavia, be made up by the Albanian government out of the state budget. Thus they hoped to impede the expanded production of our economy.

Another measure which was carried out on the basis of economic agreements concluded between Albania and Yugoslavia was the abolition of customs frontiers and the introduction of a unified customs duty. Our party and government understood the abolition of customs frontiers as a measure intended to facilitate the exchange of goods between the two socialist countries. But the Yugoslav revisionists did not stop at that. After the abolition of customs boundaries they demanded that the Albanian and Yugoslav currencies circulate freely in both countries. They also asked that "honest tradesmen" from Albania and Yugoslavia be able to purchase goods freely in both countries. And what was purchased? We bought what the various "honest tradesmen" threw on our market and they in turn bought many goods of wide consumer interest and left us Yugoslav money. It was later found out that these goods purchased in Albania were sold abroad to capitalist countries with enormous profit.

The Yugoslav revisionists also forced Yugoslav planning and coordination of economic plans among socialist countries is basically correct. But the way in which the Yugoslav revisionists attempted to control the development of the Albanian economy was such that our economy would have become an appendage of the Yugoslav economy. The Yugoslav revisionists considered the Albanian economic plan as a part of the Yugoslav economic plan, and the control numbers on the plan for our country were set up by the Yugoslav Gosplan which looked upon Albania as the Seventh Yugoslav Republic.

Under this system of plan coordination the Yugoslav revisionists demanded in the development of our first Five-Year Plan a variant according to which Albania would produce exclusively technical crops which Yugoslav industry required as raw materials and we would buy finished products from Yugoslavia. The same was true of grain which Yugoslavia would cultivate, and Albania would be forced to import grain from Yugoslavia.

Concerning industry, Albania was to engage only in extraction (oil, chrome, copper, etc.) but was not to process petroleum. Petroleum was to be processed in Yugoslavia, whereas it was supposed to be more suitable for us to buy oil as a finished product from Yugoslavia. Then in the other industrial branches, particularly light industry and the food industry, there was no idea that Yugoslav industry could possibly satisfy all the needs of the Albanian people.

A "coordination committee" was set up by the Yugoslav revisionists in Albania for the practical realization of this coordination of economic plans. This commission eventually became a second government -- a Yugoslav government. The purpose of this commission was to take the management of the economy out of the hands of the Albanian government.

Finally, all the credits which Yugoslavia extended to Albania were extended only to destroy the elementary rule of economic relations among two sovereign states.

This brief report on the nature of economic relations which existed between Albania and Yugoslavia until June 1948 shows clearly how false are the statements of Yugoslav revisionists that they do not interfere in the affairs of other countries. This report also shows that even though the Yugoslav revisionists used Marxist phraseology, passed themselves off as friends of the Albanian people, and praised these economic relations as a "sample" of the new economic collaboration, nevertheless all the economic agreements which they forced on our country had a single purpose, to delay Albania in the development of its productive forces, to make the building and development of industry impossible, to separate Albania from the Soviet Union, and to make of our country an agrarian appendage or colony of Yugoslavia.

Our political economy, Marxist political economy, has already achieved great and generally recognized success in the study and examination of the laws of the appearance, introduction, and development of the socialist production method in individual countries of the world

socialist system. As has been seen, however, and as is clear from all the reports at this meeting and from the goals which we have decided to coordinate and to undertake with joint efforts, the political economy of socialism now encounters new problems which we must examine. Important among them is an examination of the laws of economic relations among socialist countries, the laws of international socialist division of labor.

A number of conflicting opinions have already been voiced on this problem. Therefore I believe that in the future we will have to deal with these problems and study economic relations among socialist countries. Then we will also be able to make the proper theoretical generalizations. This is true not only of international socialist division of labor but also of other problems connected with the nature of economic relations among socialist countries.

We often emphasize, and correctly so, that one of the principles of economic relations among socialist countries is the principle of equality. In elucidating this principle, however, there is a frequent tendency to limit it only to equivalent exchange or to current commercial agreement. Equivalent exchange in economic relations among socialist countries is undoubtedly very important. But the principle of equality in economic relations among socialist countries involves more than this. It is more varied and complex. In order to demonstrate this I should like to give one example: the USSR receives fruit, tobacco, and other agricultural products from Albania on the basis of a commercial agreement and sends our country first-class industrial equipment and various other modern technical resources for all branches of the economy. Could we expect to force this equality into the framework of current equivalent exchange or current economic agreements? Of course not. Is there any capitalist country which would behave this way in its economic contacts with a small country, and under such conditions maintain equivalent exchange? Of course not.

Under the scientific explanation of the new nature of economic relations among socialist countries the question arises of how to handle theoretically the principles of the international socialist division of labor.

Understandably at the present stage of development the countries of the world socialist system differ from one another, among other things, in the level of development of their industry. In this system there are countries of highly developed industry such as the USSR, Czechoslovakia, and the GDR, and countries with less well-developed industries such as Albania, Bulgaria, Mongolia, etc.

I am of the opinion that the division of labor among socialist countries should contribute to the more rapid development of industry throughout the socialist camp, and particularly in those countries whose industry has not yet reached a high level of development. This

should be done such that the countries with highly mature industries could help the other countries to develop their own industry according to their own natural and human resources and capabilities.

In connection with the intensification of the concept of international socialist division of labor the problem arises of specialization in individual socialist countries. This kind of specialization can be examined from two angles. Firstly, what should the nature of this specialization be with respect to individual socialist countries? Secondly, should this specialization include all production processes on an annual scale?

Some economists in our country until recently considered specialization in this fashion: whereas some socialist countries have made progress in the development in industry and others have favorable conditions for the development of agriculture, the former will specialize as industrial countries and the latter as agrarian lands. This type of specialization among socialist countries of course has nothing to do with Marxism-Leninism and is profoundly wrong.

It is well known that the basis of the national economy of every socialist country, whether large or small, is industry. Without industry one cannot imagine building socialism in any of our countries, even if the international socialist division of labor is still further intensified. Therefore, in our country, as in the other socialist countries, even though very favorable natural and climatic conditions exist for the development of agriculture and even though this agriculture has a great future, the general line of the Albanian Labor Party has been and will continue to be priority development of industry throughout the period of building socialism in our country. This line fully corresponds to the Marxist-Leninist concept of the international socialist division of labor.

As regards the other aspects of specialization, I believe that it would be useful for specialization to be strict, i.e., to include all phases of production, beginning with the extraction of raw materials and ending with the finished product. This type of strict specialization will contribute to the development of industry in the socialist countries, will save social labor, will accelerate the rate of growth of the national income, and will thus lead to an increase in the national wealth and accumulation while simultaneously rapidly increasing the living standard of the workers.

THE USSR

A. D. Stupov

All the people of the Soviet Union are now evaluating the theses of N. S. Khrushchev to the XXIst Congress of the CPSU concerning the control figures in the development of the national economy of the USSR for 1959-1965.

Under the leadership of the CPSU the Soviet people in a relatively short time have carried out a grandiose reconstruction of all branches of the national economy, science, technology, and culture. This reconstruction is making it possible for the USSR to enter a new historic stage of its development -- the period of the developed building of Communism.

In the theses of N. S. Khrushchev he says that: "In this period the principal goals will be the creation of a material-technical base for Communism, the further consolidation of the economic and defense power of our country, and better satisfaction of the growing material and intellectual needs of the Soviet people. This will be the decisive stage in the competition with the capitalist world in which the historic task -- to catch up to and overtake the most mature capitalist countries in per-capita production -- must be practically fulfilled."

In the Seven-Year Plan, which is the most important part of the program of Communist construction in our country for the next 15 years, the principal tasks are: "To provide for further enormous growth of all branches of the economy on the basis of the priority growth of heavy industry, to increase the economic potential of our country, and on this basis to carry out a great new increase in the living standard of the people."

At the same time we need to gain time in the peaceful economic competition with the capitalist countries, and must accelerate the development of our economy as rapidly as possible.

In establishing such grandiose tasks in the peaceful economic competition with the capitalist countries, and particularly with the USA, we are of course thinking in terms of the level and scope of industrial production which we have already achieved.

In 1958 steel production in the USSR was 55 million tons, oil production 113 million tons, or a level such that the USSR is now producing in one month more steel and oil than was produced in all of 1913. The production of electric power in the USSR in 1958 reached 233 billion kWh or a level such that in three days we now produce the quantity of electric power consumed in one year in Czarist Russia.

All other branches of industry have also increased enormously and new branches have been created which didn't even exist in Czarist Russia.

The production of consumer goods has increased 14-fold over the prerevolutionary period and 2.7-fold over prewar 1940.

In recent years splendid results have been achieved in the development of agriculture. In comparison with the previous Five-Year Plan the average annual grain harvest in 1954-1958 increased 38 percent, raw cotton 20 percent, flax 76 percent, sugar beets 66 percent, and vegetables 42 percent.

Meat production in the USSR in 1958 was 1.4 times greater than in 1953, milk 1.5 times, eggs 1.4 times, and wool 1.2 times.

The present level of economic development of the USSR permits us to assign a high rate of development to all branches of industry and agriculture. Our party is basing its thinking on Lenin's doctrine that primary significance attaches to heavy industry, which is the basis of the entire national economy.

It has been established that in the Five-Year Plan cast-iron production will increase from 39 to 65-70 million tons, of steel from 55 to 86-91 million tons, and of rolled-iron products to 65-70 million tons or by 52-64 percent. Oil output is to increase by more than twice. The extraction and production of gas is to increase about 5-fold, of coal mining by 20-23 percent, and production in the chemical industry will almost triple. Electric-power output will increase 2.2 times and machine building production will almost double. In all, production of producer goods is to increase by 85-88 percent.

There has been a considerable increase in the production of consumer goods, equal to about 62-65 percent. The theses state the decisive conditions for the creation of the material-technical base of Communism, its complex mechanization, and automation of production processes in all branches of the economy. Labor productivity is to increase 1.5-fold during the Seven-Year Plan.

Agricultural production has also been assigned large tasks. The principal goal is to provide for the growth of agricultural production so that the requirements of the population of the most important foods will be met. Total agricultural output is to increase about 1.7-fold during the Seven-Year Plan.

During the Seven-Year Plan basic technical reconstruction will be performed on transportation and investments will increase 1.8 times in comparison with the preceding seven years. It must be particularly emphasized that the Communist Party is basing its plans for the development of the Soviet economy on the need for proper distribution of productive force throughout the entire country in terms of the needs for further increasing the economy and culture of all the Union Republics. In the USSR further specialization and complex development of the national republics and large economic-geographic regions, such as the Urals, Siberia, etc., will be assured.

The solution of goals connected with building Communism requires extensive measures to improve the education of the people and to develop science and culture. Workers in the social sciences will

write basic articles generalizing the laws of social development, the practice of socialist construction, and the need for working out problems connected with the gradual transition to Communism.

From the experience gained in carrying out the Five-Year Plans in the USSR, the advantages of the socialist economic system over the capitalist system are clear. These advantages, as N. S. Khrushchev said in his theses, "have helped to change the relation of forces of capitalism and socialism on a world scale in favor of socialism."

In peaceful competition among the two systems -- socialist and capitalist -- the most important period is the realization of the Seven-Year Plan for the development of the Soviet economy in 1959-1965.

The fulfillment of the Seven-Year Plan is of great international significance, since it will still further consolidate the strength of the world socialist system.

The theses emphasized that "the Seven-Year Plan envisions the general development of economic collaboration between the Soviet Union and all socialist countries, consolidation of brotherly contact, and expansion of mutual exchange of experience and friendly collaboration."

The theses further discuss specialization and cooperation of production among individual countries by means of comradely coordination of plans for the development of individual interconnected branches of the national economy. This is based on the assumption that rational distribution of production and harmonic coordination of national interests of each individual socialist state with the interests of consolidating and developing the entire socialist camp will help to accelerate the growth of production in all socialist countries.

The fulfillment of the Seven-year Plan in the USSR and the further economic development of China and the other countries of the socialist camp means that in 1965 more than half of all world production will come from the socialist countries.

The fact that socialism has exceeded the bounds of a single country and that it has become a world system has been illustrated by the fact that among the socialist states new and hitherto unknown relations of brotherly friendship and general economic, political, and cultural collaboration and mutual aid have developed. This has considerably expanded the capacities of these countries in their struggle for a rapid improvement of the economy and culture and for a continual rise in the well-being of the popular masses.

The new socialist relations among the countries of the world socialist economic system are an embodiment of the immortal Marxist-Leninist idea of the friendship of free and equal nations, and a victory of the principles of proletarian internationalism. They are a great source of strength, not only for the workers of the socialist states, but also of the entire world Communist and working-class movement.

The unshakable friendship and brotherly collaboration among socialist states has a firm social-economic foundation. They are based

on the common nature of their state regimes, in which the leading role in society is played by the working class led by the Communist and workers parties, on the unity of Marxist-Leninist ideology, and on common social-economic development. The economic base for the collaboration and mutual aid within the socialist camp is the common socialist ownership of the means of production. On this basis socialist production relations are developed, and they in turn give rise to new objective laws in the relations among states of the socialist camp corresponding to the requirements of the basic economic law of socialism and the law of planned development of the national economy, i.e., corresponding to the real needs of the nations of the socialist countries. As the Declaration of the Meeting of Representatives of Communist and Workers' Parties of the Socialist States, held in November 1957, reads, the socialist countries are building their mutual relations on the principles of full equality, respect of territorial integrity, state independence, sovereignty, and mutual noninterference in internal affairs. An indivisible part of their mutual relations is brotherly and unselfish mutual aid. In relations among socialist states there is no domination and subordination, exploitation and theft, which are typical of relations among countries in the imperialist camp.

It is understandable, therefore, that the imperialists and revisionists do not love these basic principles. They attack the principles of this friendship, they distort the nature of the world socialist system, they distort socialist mutual aid, internationalism, the socialist division of labor, and the leading role of the USSR in the socialist camp.

The Soviet Union, as the first country in which socialism was victorious and as the most powerful state in the socialist camp, has gained enormous experience in the complex struggle to establish and consolidate the power of the working class, to carry out socialist industrialization and collectivization of agriculture, to complete the building of socialism and the gradual transition to Communism. The creative application of this experience is now making it easier for all the other socialistically developing countries to travel the road to socialism. Since these countries can use practically tested methods of building socialism they will commit fewer errors or avoid them altogether. The nations of the people's democracies have also gained considerable experience in building socialism, which is very important not only for each individual country but also for the entire socialist camp. The nations of the socialist countries are generalizing experience gained in the process of building socialism in each socialist country and are taking over and using in their own countries the best and most progressive features which have been achieved in various areas of the economy, science, culture, and technology.

The relations now existing among the states of the socialist camp were not of course formed immediately after the liberation of these countries from the yoke of imperialism and the establishment of the dictatorship of the proletariat. They were developed and perfected together with the development and consolidation of the socialist states and of the entire socialist economic system. These relations will continue to be perfected and will in the future become still deeper and broader. An important contribution to the development of the theory and practice of socialist construction was the resolutions of the XXth Congress of the CPSU and the November 1957 and May 1958 meetings of the Representatives of Communist and Workers' Parties of the Socialist States.

The strict application of the theses concerning the further development and intensification of collaboration and international division of labor in the socialist camp will mean that the natural and economic reserves of all the socialist countries will be used in the most efficient possible manner, that labor productivity will increase, that the well-being of these nations will rise continually, and that the advantages of the world socialist economic system will be exploited to the full.

Collaboration and mutual aid among the socialist states are reflected in various branches of their activity: in economics, politics, and culture, while the most important aspect is economic collaboration, the basis for increasing the productive forces of the socialist system.

The forms of economic collaboration among the socialist states are being continually perfected and intensified. This collaboration developed in trade among individual countries, in the extension of credits, in deliveries of complete equipment for factories, thermopower plants, hydroelectric plants, railroads, and water installations, in training cadres, and in the exchange of the most modern experiences. The close economic collaboration permits the socialist countries to solve their important economic tasks. For example, economic collaboration and comradely aid among the socialist countries have made it possible for a number of people's democracies which were previously industrially backward to carry out socialist industrialization rapidly and to form their own industrial base.

Concerning the importance of this brotherly aid, let me mention a few facts concerning the aid extended by the USSR in the industrialization of individual countries of the socialist camp. This is only a part of what has been done in overall mutual aid among all socialist states.

The Soviet Union has extended economic aid in the construction, design, and delivery of complete installations, in training cadres, etc., for more than 500 industrial installations. This has made it possible for the socialist countries to increase their annual capacities by the following: steel, 15 million tons; copper, 120,000 tons; nitrogenous

fertilizers, 850,000 tons; sulfuric acid, 141,000 tons; caustic soda, 500,000 tons; oil products, 4.5 million tons; electric power, 8 million kWh; automobiles, 55,000 units; tractors, 40,000 units.

Steel production in these countries, not including the Soviet Union, formerly totaled only 6 million tons annually. When enterprises built with economic aid and technical aid from the USSR were completed steel output increased to 15 million tons annually, etc.

These results were achieved only by help from the USSR, however, and this does not include the mutual aid of other socialist countries in the industrial development of individual agrarian countries!

This aid had an enormous influence on the rate of industrial development of the countries, made industrialization easier, and permitted assigning priority to the development of production of the means of production, which is an objective necessary for socialist countries.

The economists of the countries of the socialist camp can scarcely doubt that in socialist industrialization it is objectively necessary to assign priority to the rise in production of producer goods, although sometimes this is attempted. This particularly true since Marxist-Leninist theory, in the analysis of this problem, is based on the fact that, if we consider the concrete conditions of economic development, in every country the relationship between heavy and light industry will be different, and in each country it will be necessary to specify the structure of industrial production, the rate of development, etc., individually, in terms of the peculiarities of the individual country. The main and most important factor, however, always remains the more rapid development of heavy industry without which it is difficult or impossible to assure expanded socialist production.

Naturally it does not follow from the foregoing that there have not been errors in the industrial development of individual socialist countries, that efforts have not been made to create a complete or almost complete economic complex regardless of the internal capacities and economic relations with friendly countries, that there has been no parallel construction of new industrial enterprises in individual socialist countries.

The significance of these errors, however, lies not in the need to overemphasize them or raise them to the level of a "theory," since these shortcomings occurred not because each socialist country wanted to build its own "autarkic economy," but rather because in recent years, or rather in the first postwar years of building, socialism in individual countries, long-range and current plans for economic development of the countries were not sufficiently coordinated. These shortcomings have now been eliminated by the fact that the work of the Council of Economic Mutual Aid and its permanent commissions has been activated, long-range plans are coordinated in a comradely fashion, and proper specialization and cooperation of related

industrial and agricultural branches are established among the socialist countries.

The various forms of economic collaboration in the socialist camp are a means for expanding and consolidating the international division of labor in the socialist economic system, making possible the fullest utilization of the economic advantages of the world socialist economic system, opening up the socialist countries new horizons for development and rational management of the economy, and maximum utilization of all human and material reserves. It permits them to use the most modern and scientific technical findings, and to achieve a rate of development of productive forces hitherto unknown, and unachievable under capitalism.

Economic collaboration helps to even out the level of development of productive forces and living conditions of the population in the countries of the socialist system. The formerly backward countries are hurrying to achieve the level of the mature countries, which of course are not standing still but are forging relentlessly ahead. All these countries are thus hurrying to socialism along a common, unified front.

The creation of the world socialist economic system has exacerbated the problem of the development of the international socialist division of labor, specialization, and cooperation of production in socialist countries. Naturally this is decisively important for the development of the productive forces of socialism.

The world socialist economic system has enormous reserves for the further successful development of all branches of modern industry. The cooperation of related branches of production among socialist countries must be developed and perfected so that the most rational use be made of natural wealth, economic potential, human reserves, and historic production habits of the population of the particular countries.

Only with the international socialist division of labor can favorable conditions be created for the most effective utilization of all reserves and opportunities, both in the interest of the socialist system as a whole and in the interest of each individual country. Every socialist country thus relies not only on its own reserves but also on the material base of the entire world socialist economic system. In his speech Comrade N. S. Khrushchev states that further international specialization and cooperation of production by means of comradely coordination of plans in related branches of the economy will be a new stage in the development of the international division of labor in the socialist countries. We need not discuss what international division of labor is, although there is a problem here, particularly in defining international specialization and cooperation of related branches of the economy, and determining the position of each country in the socialist international division of labor. The rational placement of production so as to harmonize the national

interests of each individual socialist state with the interest of consolidating and developing the entire socialist camp is one of the most important conditions for accelerating the growth of productive forces in all socialist countries.

The Seven-Year Plan for the development of the national economy of the USSR opens up new and truly marvelous horizons for the further development of collaboration among socialist states. This in turn will promote the exploitation of all the advantages of the world socialist system and will accelerate economic progress of each individual socialist country.

The development of economic contacts among the countries of the socialist camp is continually being perfected. If these contacts were previously carried out only through the circulation of goods, through socialist world trade, today the economic contacts are realized through material production on the basis of comradely coordination of long-range economic plans and the socialist international division of labor.

Experience in the development of economic collaboration gained in recent years shows that commercial relations, even long-term planned ones, are insufficient for organizing extensive specialization of production among socialist countries in which the scope of production has increased greatly, dozens of new industrial branches have emerged, and serial production of new industrial goods has been developed. In addition, it has been noted that in individual countries grandiose constructions have been carried out without sufficient attention to the advantages inherent in rational division of labor among the socialist states, specialization, and cooperation of industry and agriculture; i.e., there has been excessive parallelism in the construction of enterprises of the same type, whereas it would have been sufficient to reconstruct existing enterprises. Furthermore, some enterprises have been built in places where the necessary raw materials were not available.

At the present stage of development of international socialist division of labor the most important factor is the coordination of current and long-range plans. This coordination assures the maximum adherence to the demands of the law of planned development of the economy in each individual socialist country and in the socialist camp as a whole, and is a very important factor in the further development and consolidation of the world socialist economic system.

The socialist management of the economy and friendly relations among the socialist states create all the opportunities for still more rapid development of the economy in the countries of the world socialist system and an opportunity to achieve high labor productivity in competition with the capitalist world. All of this makes it possible to provide the population with a living standard which can only be dreamt of in the capitalist countries.

The particular significance of the socialist international division of labor lies in the fact that by coordinating economic plans extensive specialization and cooperation of industrial and agricultural production can be achieved.

Further international specialization and cooperation will permit the more rational location of production so as to harmonize the national interests of each individual socialist state with the interests of consolidating and developing the entire socialist camp. This is one of the most important conditions for accelerating the growth of productive forces in all socialist countries.

Therefore it is our job to generalize past rich experience and on this basis to develop the trend of the international socialist division of labor and its role in the concentration, specialization, and cooperation of production in the world socialist economic system so as to assure the rapid economic development of the socialist countries.

At the same time we must establish the main goals and the capacities for specialization and cooperation of production among the socialist countries in the most important related branches of the economy, particularly in the power industry (production of electric power, the coal, oil, and gas industries), in metallurgy (raw materials sources: iron, chrome, copper, lead, and zinc ores, the production of cast iron, steel, and rolled iron products), machine building (machine building in general, the production of machine tools, electrical and transport machinery), the chemical industry and agricultural production.

N. S. Khrushchev says that "the basic problem is to accelerate development along the road to Communism, the program of gaining maximum time in the world competition."

Therefore increased labor productivity, the introduction of new items, and the development of new techniques in the socialist countries are particularly important.

An important factor in the further improvement of the economy and culture of the socialist countries is general scientific-technical collaboration among the countries of the socialist camp, common use of scientific-technical and production discoveries of all countries of the world socialist economic system.

Scientific-technical collaboration of the socialist states is carried out in various forms. Outstanding among these are the exchange of the most important discoveries and technical improvements, the most modern experience gained in organizing work and production technology, collaboration in geological prospecting, experimental work, and scientific research, in training and improving the skill of the cadres, etc. The socialist countries exchange the most modern proposals and technical documentation for the construction of industrial, cultural, housing installations and for the production of new types of machinery and various equipment.

In scientific-technical collaboration among the socialist states, the leading role is played by the Soviet Union, which is the avant-garde of technical progress and has achieved outstanding success in the most varied aspects of science and technology. In harmony with the principles of proletarian internationalism, the Soviet Union has made available to all the socialist countries its successes in the development of science and technology. The fact that the people's democracies can use these technical discoveries of the Soviet Union has accelerated and eased their path to socialism and Communism. China, Bulgaria, Rumania, Albania, and other countries, thanks to Soviet technical aid, have been able in a short time to increase the technical equipment of their economy and thus raise their labor productivity. The utilization of the experiences of the Chinese People's Republic and all other socialist countries is extremely important for accelerating the journey to socialism and Communism.

The exchange of scientific information and technical discoveries is extremely important for accelerating the development and technical progress of the socialist countries. The socialist countries thus have an opportunity to make the fullest and most rational use of their raw-materials and power reserves and to develop their economies on the basis of the most modern techniques with a considerable saving of energy, time, and material.

The Soviet Union and the people's democracies participate in foreign trade on two world markets: the socialist and the capitalist.

In the first years after the Second World War trade between the Soviet Union and the people's democracies was carried out through exchange agreements signed each year. Then, when the socialist countries began to develop long-range plans for the development of the national economy, there was an increasing need to conclude long-term commercial agreements. In 1952 the Soviet Union began to conduct a large proportion of its trade with the people's democracies on the basis of the long-term agreements. The use of long-term agreements has expanded considerably in commercial agreements among other socialist countries as well.

Long-term commercial agreements establish quotas of the main types of goods to be exchanged for a number of years in the future; this is very important for the mutual coordination of plans for the development of the national economies of the socialist countries and the division of labor among them. These agreements, on whose basis protocols are signed each year for the exchange of goods, provide for a planned influx of material reserves necessary for the successful fulfillment of the plans for the development of the national economies of the particular countries, and at the same time provide a constant sales outlet for goods of which the various countries may have considerable export reserves. The exchange of goods among socialist countries is based both on mutual advantage and on the opportunity to accelerate the development of production and increase material and cultural well-being of the workers in the socialist countries.

An important characteristic of the socialist market is the fact that the goods bought and sold on it are not private property but are the property of all the people, state property, and all goods exchange is a foreign-trade monopoly. Since the exchange of products of labor among socialist states is carried out through the market, however, all the significance of the value of goods as the embodiment of social labor is retained.

Even if world prices are used in trade among the countries of the socialist camp there is no play of prices here; the production and circulation of goods, including foreign trade, are planned, and prices in commerce among socialist countries are stable. They are usually created for at least one year in socialist world trade. For a large number of types of goods exchange prices remain unchanged for several years. Price stability protects the world socialist market from the injurious effects of chance variation of prices on the world capitalist market, and is an important factor in the stability of economic development of the socialist countries. These prices are formed on the basis of agreements which eliminate nonequivalent exchange of goods and thus become advantageous for each country. The equality of participants in world socialist trade presupposes equivalent exchange.

All the above-mentioned advantages of the world socialist market create favorable conditions for the general exchange of goods and help the accelerated development of expanded socialist production in all countries of the world socialist system.

Foreign trade is an important form of economic relations in economic collaboration of socialist countries. All other forms of collaboration are more or less reflected in the foreign trade of the socialist countries and promote it.

An important problem arises with the development of the world socialist market: how the law of value affects the world socialist market and price formation. Particularly important is the proper theoretical handling of the problem of price formation on the world socialist market, the profitability of foreign trade of the socialist countries, and the credit system of international accounting on the world socialist market.

Our task is to criticize the revisionist "theories" and statements on the role and significance of the world socialist market.

Economic collaboration and mutual aid of socialist states are an important factor in solving the basic economic tasks of the socialist states. The most powerful socialist country, the Soviet Union, long ago passed all the capitalist countries except the USA in industrial output and now has taken on the task of exceeding the total volume and level of industrial production per capita which has been achieved by the USA. Great successes in solving this main economic task have also been achieved in the individual people's democracies.

After fulfillment of the Seven-Year Plan for the development of the national economy of the USSR, the share of the Soviet Union and of the entire socialist system in world industrial production will rise considerably. If in 1913 the Soviet Union's share of world industrial production was less than 3 percent, and in 1937 around 10 percent, in 1958 it will reach almost 20 percent. The entire socialist system produces about one-third of the total industrial output of the world. Calculations show that in 1965 the socialist countries will produce more than one-half of all world production. In a short time, therefore, the world socialist system will achieve an absolute preponderance over the capitalist system in material production as well, which is the decisive sphere of human activity.

The success of all the socialist states in developing economy and culture and in increasing the well-being of the popular masses which has been achieved by using all the advantages of the world socialist system show the enormous significance of the unity and economic collaboration of the socialist countries.

The further development of the socialist economy, the development and intensification of the international socialist division of labor, and close economic collaboration will help the powerful upsurge of the economies of the socialist countries and will accelerate their journey to socialism and Communism, in which they are traveling in a united front.

CONCLUSION

V. Kaigl

I believe that I am expressing the opinion of all the participants of this conference when I say that it has been very useful in two senses.

1. Unlike the preceding conference on the socialist international division of labor which our Institute held one year ago, this conference was attended by economists from almost all the countries of the socialist world system, particularly by comrades from the Asiatic socialist countries. This fact has shown us the broad range of the problem and also the wide front of Marxist economists who have begun seriously to consider problems of the political economy of socialism in the broader sense, as I mentioned in my speech, as the science of the development of the entire socialist world system.

The discussion also showed that a number of very important theoretical findings and individual principles have been generally acknowledged, although sometimes only in general formulation. This is true particularly of the principles on which the economic relations among socialist countries must be based. Our conference has decisively rejected the revisionist efforts toward an incorrect explanation of the foundation of these relations and toward destruction of the unity of the countries in the socialist world system.

There was also general acceptance of the idea of the objective necessity of combining the economic development of individual socialist countries with the development of the socialist world system as a whole, of considering it as an inseparable part of the development of the entire socialist world system. This truth was expressed particularly clearly by Bui Kong Tryny, who said that the time had come when even in the Asiatic socialist countries the proportions in the development of the national economy must be determined only in relation to the proportions of the development of the entire socialist world system.

A large number of other findings of basic significance have also been generally acknowledged, particularly thanks to the precise formulations of the resolutions of the May meeting of the Representatives of Communist and Workers' Parties of the Member States of the Council of Economic Mutual Aid.

2. A number of problems remain unsolved, however. Therefore, I consider another value of this conference to lie in the fact that it helped to define a number of weak points and even blank spots in our theory. And that's not all. Our conference made attempts at least to show the possible ways in which these blank spots might be filled in and the problems solved.

At this point I should like to say that in my report I made no attempt to discuss the entire problem of the development of the socialist world system or to eliminate all problems connected with the

intensification of socialist international division of labor. Such an attempt would, at this point, have been beyond our power. Furthermore, I purposely attempted not to repeat anything which I said in my speech at last year's conference, since that speech is known to all of you. I tried -- and, in fact, I was forced in such a brief speech -- to concentrate attention on only a few unsolved problems and to attempt to point out possible solutions for them. And since many of these problems are of a discussion nature and my discussion was far from complete, but dealt with only certain aspects which I considered most important, a lively discussion developed around several of them. And I am very glad of that.

The question has arisen here as to exactly what the international division of labor is, whether this concept relates to productive forces or productive relations. Comrades Kohlmei and Güncöl expressed different views on this problem. In my speech I did not touch on this aspect of the concept of the international division of labor, and emphasized only the character of the international division of labor as a concrete historical process. As regards the nature of this concept I continue to be of the opinion which I expressed a year ago: that the international division of labor is an expression of the development of productive forces, but that its foundation and direction, forms and results, are determined by the system of production relations in which it is executed. Of course this problem requires further discussion, as do numerous other basic categories of political economics, as Comrade Mara pointed out correctly.

All other controversial questions can ultimately be reduced to the most important problem of the present stage of the development of the socialist world system: how to provide for the fulfillment of the basic economic task in our countries, while simultaneously continuing the uninterrupted development of productive forces and the living standard of the people, both of the industrially developed and of the industrially underdeveloped socialist countries. At the same time we must provide for a more rapid rate of development of the industrially underdeveloped countries.

I have attempted to make this general formulation somewhat more precise by outlining certain points which must, in my opinion, be taken into account in beginning to carry out the socialist international division of labor.

Comrade Kohlmei is correct when he says that in establishing the rate of development and volume of investment in individual countries one must take into account the entire socialist world system, and the time factor, in association with the basic economic tasks. I did not mention this, and I consider this comment very valuable for the further development of the principles of the socialist international division of labor.

As regards my statement that the basic criterion for carrying out the socialist international division of labor must be the increased productivity of social labor from the standpoint of the socialist world

system as a whole, I am quite convinced that a proper application of this principle will not be harmful, but rather will profit the underdeveloped socialist countries. The point here is to agree to locate individual types of production in those countries in which they can be most efficient, provided they are given the most modern techniques. Of course this does not mean at all, as Comrade Wyrozebski believes, that this would eliminate the placement of many types of production in countries which still have a low level of labor productivity.

After all, our countries have already embarked upon this path, and very successfully. It is an application of this principle to provide for maximum labor productivity from the standpoint of the entire socialist world system when a mutual agreement has been reached on the specialization, for example, of Rumania in the rapid development of the chemical industry based on oil and natural gas, or of Bulgaria in the processing of nonferrous metals up through certain finished machine building products, or of Bulgaria in intensive agricultural production.

What was the purpose of that which I said briefly concerning the priority of material proportions over value proportions? I had no intention of separating these two aspects of expanded production from each other. This would be unthinkable. I wanted to speak about something which was the object of principal interest at the May meeting of the Representatives of Communist and Workers' Parties of the Member States of the Council of Economic Mutual Aid. That is, the fact that the main task of intensifying socialist international division of labor at the present stage is the common solution of the problems of power, fuels, and raw materials -- i.e., the solution of material proportions. As regards prices in foreign trade among socialist countries, their perfection in and of itself will never be able to eliminate the shortage of certain raw materials in our camp. Naturally the perfection of prices can and must help to solve this problem.

Finally, I should like to disagree with Comrade Wyrozebski when he says that the large socialist countries should concentrate their efforts on the extraction of raw materials and supplying the smaller socialist countries with those raw materials in exchange for machinery and equipment. I believe that all socialist countries, whether large or small, must exploit to the full all their natural resources for the common good of the entire socialist world system. Therefore, I believe that Czechoslovakia, for example, although it is a relatively small country with a highly developed processing industry, must vigorously develop the extraction of coking coal and the production of coke in order to meet not only its own needs but those of the other socialist countries as well. And we consider this our duty toward the brother countries.

And if some industrially underdeveloped socialist country, with favorable conditions for the extraction or production of a certain type of raw material, lacks sufficient resources for the necessary investments, then the other industrially more highly developed socialist countries are obliged to help it, to extend credits, etc.

The same is true of mutual specialization in the processing industry.

From all the practical experience gained in carrying out the socialist international division of labor and also from the discussions at this conference, we can see that it is necessary to discuss all these and numerous other still unsolved and controversial problems; this must be done by the economists not of some but of all socialist countries, whether industrially developed or not. Only then, with the confrontation of different opinions by economists of different socialist countries, will we be able to make progress in economic theory and, by joint efforts and mutual criticism, arrive at a proper solution of these problems which are so important for all our countries.

For this reason last week at our meeting on the collaboration of economic institutes of the Academies of Science of the countries of the socialist camp we outlined a large number of principal subjects for research in the field of the development of the world socialist system. We agreed to solve these problems in close collaboration and to evaluate jointly the results of our research on these individual problems until their complex generalization has been achieved.

And I firmly believe that our conference has helped all of us to reach general agreement in numerous problems. In the other problems it has helped us once more to see the need for a careful concentration of our forces on their rapid and successful solution.

Permit me to thank all the participants of this conference, and particularly the comrades who contributed to this fruitful discussion, for this important outcome of our conference.

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